



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 21, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**North Georgia National Bank
Charter Number 23547**

**350 West Belmont Drive
Post Office Box 965
Calhoun, Georgia 30703-0965**

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

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory. We assigned the rating based on the following information:

- The bank's loan-to-deposit ratio is reasonable.
- A majority of the bank's loans were originated within their assessment area.
- Analysis reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- No public complaints related to CRA have been filed since the last CRA examination.

DESCRIPTION OF INSTITUTION

North Georgia National Bank (NGNB) was chartered in February 1999. The bank is a wholly owned subsidiary of North Georgia Community Financial Partners, Inc., a one bank holding company. There have not been any major changes in the bank's corporate structure since the last Community Reinvestment Act (CRA) examination. The bank received a satisfactory CRA rating at its last CRA performance evaluation dated February 7, 2000. There are no legal or financial impediments impacting NGNB's ability to meet the credit needs of its assessment area.

NGNB's main office is located in Calhoun, Gordon County, Georgia. The bank also operates one full-service branch office within its assessment area (AA). This branch is known as the "Red Bud" branch, also located in Calhoun, Georgia. NGNB currently has four depository ATMs.

As of June 30, 2005 assets totaled \$127 million, of which net loans comprise 65 percent. The following table reflects the composition NGNB's loan portfolio based on the June 30, 2005 Call Report.

Product Category	Gross Loan as of June 30, 2005*	
	Dollar (000's)	Percent
Real Estate Loans	63,898	76%
Commercial Loans	15,911	19%
Individuals	4,108	5%
Agricultural Loans	93	0%
Other Loans	42	0%
<i>Total</i>		<i>100</i>

* Data obtained from Uniform Bank Performance Report and June 30, 2005 Call Report (Gross Loans = \$84,052M)

We chose primary loan types based on outstanding balances and discussions with management about loan originations. As indicated in the table above, the bank's primary loan types based on outstanding balances are real estate and commercial loans.

DESCRIPTION OF THE ASSESSMENT AREA

The bank has only one AA, Gordon County, Georgia. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank's assessment area is described as all of Gordon County, Georgia and consists of nine census tracts in a non-Metropolitan Statistical Area (MSA). According to the 2000 United States Census, the population of this defined area is approximately 44,000. The census median family income for the assessment area is \$37,320. The Department of Housing and Urban Development's (HUD) updated median family income for Gordon County is \$43,300.

Calhoun, Gordon County, Georgia is located on U.S. Interstate 75, approximately one hour north of Atlanta, Georgia and forty-five minutes south of Chattanooga, Tennessee. Gordon County remains basically a rural community with many manufacturing companies producing products for world markets, especially carpet. The economy is highly dependent upon carpet manufacturers such as Mohawk Industries and Shaw Industries. Within manufacturing, textiles are the leader, followed by outboard motors and heavy equipment. Industrial support services in Calhoun include buildings, fabricating, and electric motor repair.

Competition in the assessment area is strong with several large and regional bank branches, and peer community banks.

The following table includes general demographic data describing the assessment area.

Demographic and Economic Characteristics of Assessment Area	
Population	
Number of Families	12,361
Number of Households	16,151
Geographies	
Number of Census Tracts	9
% Low Income Census Tracts (0)	0%
% Moderate Income Census Tracts (0)	0%
% Middle Income Census Tracts (5)	55.56%
% Upper Income Census Tracts (4)	44.44%
% Undesignated (0)	0%
Median Family Income (MFI)	
2000 MFI for AA	\$43,148
2004 HUD Updated MSA MFI	\$43,300
Economic Indicators	
Unemployment Rate	1.82%
2000 Median Housing Value	\$81,165
% of Households Below Poverty Level	11.00%

Community Contact

We conducted one community contact during this examination with the Calhoun, Georgia City Administrator. The overall impression of the interviewee was that the banking industry is more than adequately serving the credit needs of the community and local businesses. They did not identify any unmet credit needs in the bank's AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average quarterly loan-to-deposit ratio since the last CRA examination in February 2000 is 77 percent, which is comparable to the loan to deposit ratios of the peer group that ranged from 69 percent to 81 percent. Considering the size of the bank and competition in the AA, NGNB's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. A review of bank data reveals that NGNB is similarly situated to peer banks in the local vicinity. All institutions offer similar credit products and are of similar asset size.

Lending in Assessment Area

The bank makes a majority of its loans within their assessment area and meets the standard for satisfactory performance. Our analysis consisted of loans originated between January 1, 2003 and August 31, 2005.

The analysis of lending within the bank's assessment area included statistical samples of two of the bank's primary loan types, residential real estate and commercial loans. The following table summarizes the results of our review:

SAMPLED LOANS IN AND OUT OF ASSESSMENT AREA (1/1/03 to 8/31/05)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential RE	18	90.0%	644	90.1%	2	10%	71	9.9%
Commercial	14	70.0%	3,385	67.5%	6	30%	1,631	32.5%
Total Reviewed (40 loans)	32	80.0%	4,030	70.3%	8	20%	1,701	29.7%

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

The distribution of loans, given the demographics of the assessment area, reflects good penetration among borrowers of different income levels (including the moderate, middle, and upper categories), and both large and small businesses. The analysis of lending to borrowers of different income levels and businesses of different sizes was completed using a sample of loans originated within the bank's assessment area between January 1, 2003 and August 31, 2005. The following tables reflect the results from our sample of primary loan types.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN GORDON COUNTY				
Borrower Income Level	LOW	MODERATE	MIDDLE	UPPER

% of AA Families	13.71%		16.45%		21.75%		48.09%	
	% of Loans	% of Amount	% of Loans	% of Amount	% of Loans	% of Amount	% of Loans	% of Amount
% of Loans (# & \$)	0.00%	0.00%	20.00%	25.66%	20.00%	18.92%	60.00%	55.42%

The table above illustrates the distribution of home mortgage loans within the income levels compared to the percentage of families in each income level. Several factors mitigate the lack of loans to low-income families. Specific factors include: a higher level of loans to moderate-income families compared to the percentage of moderate-income families in the AA, bank locations' distant proximity from known pockets of low-income families relative to other financial institutions in the assessment area, and the opening of a branch in a known low-income area (downtown Calhoun) in the first quarter of 2005. The bank was also able to produce evidence that they have existing mortgage loans to low-income borrowers.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES (1/1/03 to 8/31/05)		
Business Revenues	<\$1,000,000	>\$1,000,000
% of Business in AA	92.60%	7.30%
% of Bank Loans in AA (# of loans)	85.00%	15.00%
% of Bank Loans in AA (\$ of loans)	80.22%	19.78%

The table above illustrates that the distribution of loans to small businesses (businesses with \$1 million or less in gross annual revenues) is good. The table illustrates the percentages of loans by number and dollar volume originated for small and large businesses within the bank's assessment area.

Geographic Distribution of Loans

Geographic distribution of loans was not considered in our review because the bank's AA does not include any low or moderate-income census tracts.

Responses to Complaints

NGNB has received no CRA related complaints since the last examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.