

PUBLIC DISCLOSURE

July 23, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Cherokee Bank, NA
Charter # 23841**

**1275 Riverstone Parkway
Canton, Georgia 30114**

**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.

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 **Cherokee Bank, NA** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 23, 2001**. 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:

Cherokee Bank, NA's CRA performance is rated Satisfactory. The bank has chosen Cherokee County as its assessment area and was evaluated for the period beginning July 26, 1999 (when the bank opened) until the present. The bank's rating is based on its satisfactory loan-to-deposit ratio; the high volume of loans made within the assessment area; its satisfactory record of lending to borrowers of different incomes and businesses of different sizes; and the reasonable dispersion of its lending activities throughout the assessment area during the evaluation period.

The following table indicates the performance level of *Cherokee Bank, NA* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	CHEROKEE BANK, NA 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 were received during the evaluation period.		

DESCRIPTION OF INSTITUTION

Cherokee Bank, NA (ACB) opened for business in July 1999 in a temporary facility at 180 Riverstone Parkway in Canton, GA and moved into its permanent main office facility at 1275 Riverstone Parkway in February 2000. The bank is a wholly-owned subsidiary of Cherokee Banking Company. At July 20, 2001, assets of the bank had grown to \$55 million, with total loans of \$29 million and total deposits of \$50 million. In July 2001, the bank purchased property approximately five miles south of the main office in the city limits of Canton, GA for a future full-service branch location.

The bank suffered operating losses during its first two fiscal years ending December 31, 1999 and 2000. This is not uncommon for a new bank. However, CB has now reached a positive sustainable earnings level in 2001, just two years after opening for business. The bank's growth and success have been aided by the acquisition of two local community bank competitors by regional bank holding companies not located in the assessment area. There are no other known financial or legal impediments to the bank's ability to meet the credit needs of the assessment area.

Cherokee Bank, NA is a retail banking institution that offers traditional financial services including commercial loans, residential mortgage loans, home equity loans, consumer loans, and deposit accounts. At July 20, 2001 the loan portfolio consisted of 50 percent commercial real estate loans, 28 percent consumer loans, and 9 percent commercial loans.

As of June 30, 2000, there were 42 banking offices of 13 financial institutions operating in the assessment area. Cherokee Bank is one of two institutions still headquartered in Cherokee County.

DESCRIPTION OF ASSESSMENT AREA

Cherokee Bank, NA has chosen Cherokee County, Georgia as its assessment area. The bank's main office and future branch site are located in the city limits of Canton, which is the county seat. The county includes eighteen primarily middle-income census tracts, with two moderate- and no low-income tracts. No low- or moderate- income areas have been arbitrarily excluded.

Cherokee County lies approximately 30 miles northwest of the city of Atlanta and is directly north of Cobb County. Interstate 575, completed in 1984, runs through Cherokee County and serves as a direct transportation route into Atlanta. While 69% of the population commutes outside of the county for employment, there are several large corporations such as Siemens Energy & Automation, Universal Alloy, and Herman Miller which provide a large number of jobs. The unemployment rate in the county at 5/98 was 2.2% compared to the state unemployment rate of 4.6%. Overall market conditions continue to show a strong and growing economy.

Census information shows Cherokee County's population was 90,204 in 1990. Racial composition was 96.20% White; 1.76% Black; and 1.23% Hispanic.

Cherokee County is one of twenty counties in the Atlanta Metropolitan Statistical Area (MSA). The 1990 Census reports Median Family Income for the Atlanta MSA was \$41,047. This income statistic is used to determine Low, Moderate, Middle, and Upper income tracts within the bank's assessment area. Income definitions and distribution by tract and family within the assessment area are summarized below:

Income Designation	Percentage of MSA Median Family Income	Number of Tracts in Assessment Area	Percent of Families in Assessment Area
Low	Less than 50%	0	16.03%
Moderate	50 to 80%	2	18.78%
Middle	80 to 120%	12	27.31%
Upper	Greater than 120%	3	37.88%
NA	NA	1	--
TOTAL:		18	100.00%

According to the Department of Housing and Urban Development (HUD), 2000 median family income for the Atlanta MSA had risen to \$63,100. This income statistic was used to determine low and moderate income borrowers in evaluating the bank's performance in lending to borrowers of different income levels (see **Lending to Borrowers of Different Incomes** later in this report).

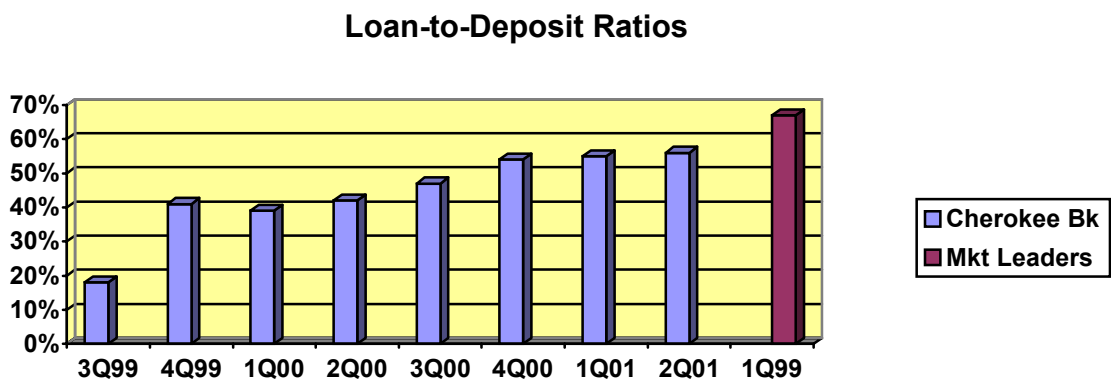
COMMUNITY CONTACTS

As part of our examination, we contacted the President of the Cherokee County Chamber of Commerce and the Director of Economic Development for the city of Canton regarding local economic conditions, and community credit needs. Based on information provided by these contacts, bank management, and our knowledge of the community, we believe Cherokee Bank, NA has made a reasonable effort to meet the primary credit needs in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratios maintained by Cherokee Bank, NA during the assessment period are Satisfactory. Our conclusion was based on a comparison of the bank’s ratios and trends compared to the average ratio maintained by the two market share leaders during the first quarter of 1999 before either was acquired. As the chart below illustrates, Cherokee Bank’s loan-to-deposit ratio has steadily risen to above 55% and is rapidly approaching the 67% average maintained by the market leaders prior to acquisition.



Lending in Assessment Area

Cherokee Bank, NA has a Strong record of lending within its assessment area. The bank’s CFO periodically produces a report that analyzes the geographic distribution of all of the bank’s outstanding loans. The bank’s most recent geocoding report dated 6/29/01 showed that 86% of the loans outstanding and 83% of the dollar amount of loans outstanding were to borrowers within the assessment area. We reviewed and validated the bank’s analysis as part of our review. The table below details CB’s record of lending in the assessment area:

Outstanding Loans 6/29/01	Number	Percentage	Dollars (000s)	Percentage
INSIDE Assessment Area	880	86%	\$ 23,414	83%
OUTSIDE Assessment Area	149	14%	4,786	17%
TOTAL	1,029	100%	\$ 28,199	100%

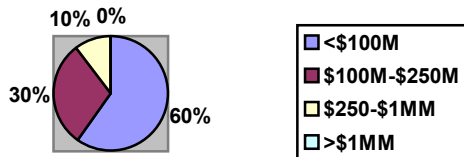
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different incomes and businesses of different sizes.

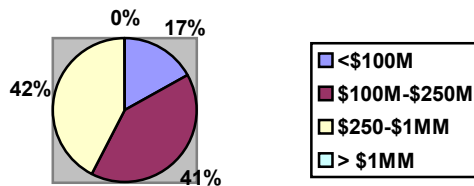
FFIEC Call Report Instructions define Small Business Loans as business loans with original amounts of \$1,000,000 or less. The bank's June 30, 2001 Call Report showed that none of the 204 commercial loans outstanding as of that date were in an original amount of more than \$1 million.

In other words 100% of the bank's outstanding loans were small business loans, and the majority of these (122, or 60% of the total) were loans of \$100,000 or less. The charts below illustrate the distributions of commercial loans and outstanding loan amounts according to loan size as of 6/30/01:

Number of OS Loans by Loan Size



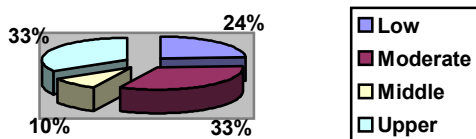
OS Loan Amounts by Loan Size



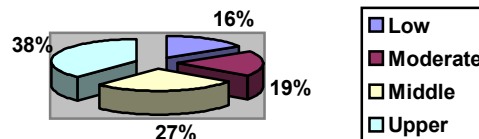
Based on the above distribution of commercial loans, we concluded the bank has done a good job of lending to businesses of different sizes, particularly small businesses.

Our assessment of Cherokee Bank's lending patterns to individuals of different income levels was based on a review of the bank's 2001 Home Mortgage Disclosure Act (HMDA) loan application report (LAR). Through July 17th, the bank had approved 21 home mortgage loans. Incomes of these borrowers were compared to the 2000 median family income for the Atlanta MSA (\$63,100) published by the Department of Housing and Urban Development (HUD) which was discussed in the **Description of Assessment Area** section of this report. The dispersion of these borrowers among the four income groups was reasonable given the demographic characteristics of the assessment area. The chart below illustrates the distribution of these loans by income level:

2001 HMDA Loan Approvals by Income Level



Cherokee County Families by Income Level



Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

As the table below indicates, the geographical distribution of the bank's outstanding loans as of June 29, 2001 is consistent with the percentage of families in tracts of varying incomes. While only 9% of the families in the assessment area reside in moderate-income census tracts, 19% of the bank's loans and 19% of the outstanding dollar amount of loans were extended to borrowers in moderate-income census tracts. The vast majority of families (75%) reside in middle-income tracts and 75% of the loans and 78% of the outstanding dollar amount of loans were to middle-income borrowers.

Percentage of Families by Income Level of Tract	Outstanding Loans		Outstanding Loan Amounts	
	#	%	\$ (000s)	%
Low - 0%	0	0%	\$ 0	0%
Moderate - 9%	170	19%	\$ 4,498	19%
Middle - 75%	662	75%	\$ 18,362	78%
Upper - 16%	48	5%	\$ 554	2%

Response to Consumer Complaints

There have been no complaints relative to the bank's CRA performance during the evaluation period.

Record of Compliance with Antidiscrimination Laws

A consumer compliance examination was conducted by the OCC during the evaluation period. No violations of the substantive provisions of antidiscrimination laws and regulations were noted during that examination.