



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 14, 2011**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Alliance National Bank  
Charter Number 23871

210 West Morris Street  
Dalton, GA 30720-0000

Office of the Comptroller of the Currency

Georgia Field Office  
Three Ravinia Drive Suite 550  
Atlanta, GA. 30346

**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.

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

Alliance National Bank's (ANB) performance rating is supported by the following:

- a reasonable loan-to-deposit ratio;
- a majority of loans were made inside the bank's assessment area (AA).
- a reasonable penetration of loans among borrowers of different incomes and businesses of different sizes; and
- a reasonable penetration of loans to borrowers and businesses in different geographies.

**SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is an assessment of ANB's ability to meet the credit needs of the communities in which it operates. Examiners conducted a full-scope review of the bank's AA, which is defined as Whitfield County. Whitfield County is part of the Dalton, GA MSA. This evaluation covered the period of December 2006 to March 2011, with a sampling period from January 2009 to March 2011.

Loan performance was determined by analyzing the bank's primary products, including home loans and commercial loans. In addition to analyzing HMDA data, examiners sampled 30 commercial loans originated from January 2009 to March 2011. The loan sample is representative of the board's business strategy.

**DESCRIPTION OF INSTITUTION**

ANB is a full-service community bank that opened for business October 25, 1999. The bank is wholly owned by a one-bank holding company, Alliance Bancshares, Inc. The main office is located in a moderate-income census tract at 210 West Morris Street in downtown Dalton. On November 22, 2004, the bank opened its first branch in Dalton at 2250 Chatsworth Hwy. However, this branch was closed on April 28, 2009 because of an insufficient volume of business at this location. The branch was located in a middle-income census tract. A Loan Production Office (LPO) was opened on September 1, 2009. The LPO is located at 1100 Old Dawson Village Road, Suite 110, Dawsonville, Georgia. The LPO was opened to originate small business loans.

A drive-up facility and automated teller machine are offered at the main office location, and transactional internet banking is available through the bank's website at [alliancernationalbank.com](http://alliancernationalbank.com).

As of December 31, 2010, ANB had total assets of \$154 million, total loans of \$82 million, and total deposits of \$117 million. ANB offers a variety of traditional deposit and loan products,

with commercial and residential real estate loans being its primary credit products. Commercial loans represent 71 percent of the bank's loan portfolio and residential real estate loans represent 21 percent. Consumer and other loans equate to 8 percent of the loan portfolio. The board's business strategy is to increase mortgage originations and continue making small business loans.

There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs of its assessment area. The evaluation period for this performance evaluation is December 2006 through March 2011. The last CRA evaluation was performed in December 2006 and the bank received a "Satisfactory" rating.

## **DESCRIPTION OF ASSESSMENT AREA**

Dalton, GA is located approximately 30 miles south of Chattanooga, TN and 90 miles north of Atlanta, GA. It is the county seat of Whitfield County. In 2003, Dalton, GA was classified as a metropolitan statistical area (MSA). The MSA is comprised entirely of two adjacent counties, Whitfield and Murray Counties. The US Census Bureau estimates a population of approximately 93,698 for Whitfield County (2009 est.), with 33,045 (2006 est.) residing in Dalton.

Management has designated all of Whitfield County as the bank's AA. All census tracts within the AA are contiguous and its boundaries coincide with the boundaries of Whitfield County. The AA meets the technical requirements of the Act and does not arbitrarily exclude any low- or moderate-income census tracts.

Whitfield County is divided into 18 census tracts, which are defined as 4 moderate-, 11 middle-, and 3 upper-income tracts. There are no low-income tracts within the county. The bank's main office is located in one of the four moderate-income tracts in the AA. The 2000 Census shows that the median housing value in Whitfield County is \$87,388 and the median family income is \$43,713. However, the 2010 HUD Updated MSA Median Family Income for Whitfield County is \$52,400.

Whitfield County is a highly competitive market in which 13 other financial institutions, with 32 total offices, have a presence. Offices include local community banks, regional banks, and large, multi-national banks. ANB's deposit market share as of June 30, 2010 was 7 percent. Branch Banking & Trust Company and Wells Fargo Bank had the largest market shares at 25 percent and 23 percent, respectively.

The local economy is dependent on the carpet and flooring industry, which in turn is tied to the health of the national commercial and residential construction industry. As more than 90 percent of the functional carpet produced in the world today is made within a 65 mile radius of the city, Dalton is often referred to as the "Carpet Capital of the World." The economic downturn, and slowdown in construction and development activity, has had a substantial negative impact on the Dalton MSA as Dalton has suffered one of the highest unemployment rates in Georgia. Rural areas in North Georgia have been particularly hard hit because of layoffs at the carpet mills.

The carpet industry is one of the largest employers in Whitfield County. The largest carpet and floor covering employers are Beaulieu Group LLC, Mohawk Carpet Corporation, and Shaw

Industries Group. Other large employers in Whitfield County are Hamilton Medical Center and O'Reilly Automotive Inc.

Contact was made with a local community development organization as part of this evaluation process. ANB is one of the local banks that partners with this organization to assist in local economic growth. The contact identified small business financing as the primary credit need in the community. According to the representative, most financial institutions are meeting the community's credit needs.

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

<b>Demographic and Economic Characteristics of Whitfield County</b>	
<b>Population</b>	
Total Population <sup>1</sup>	83,525
Number of Families	22,293
% Low Income Families	17.76%
% Moderate Income Families	19.28%
% Middle Income Families	22.72%
% Upper Income Families	40.24%
<b>Geographies</b>	
Number of Census Tracts	18
% Low Income Census Tracts - (0)	0%
% Moderate Income Census Tracts - (4)	22.22%
% Middle Income Census Tracts - (11)	61.11%
% Upper Income Census Tracts - (3)	16.67%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$43,713
2010 HUD Adjusted MFI	\$52,400
<b>Economic Indicators</b>	
Unemployment Rate <sup>2</sup>	1.77%
2000 Median Housing Value	\$87,388
% of Households Below Poverty Level <sup>3</sup>	11%
<sup>1</sup> Total Population – 2009 Census Bureau Estimate	93,698
<sup>2</sup> 2009 Unemployment Rate	12.4%
<sup>3</sup> Poverty Rate 2008	14.1%

Source: data reported under HMDA; U.S. Census data

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

ANB's overall performance under the lending test is satisfactory. This conclusion is based on the following: a reasonable loan to deposit ratio, a majority of loans in the assessment area; a satisfactory penetration of loans among borrowers of different incomes and businesses of different sizes; and a satisfactory penetration of loans to borrowers and businesses in different geographies. Details regarding these findings are addressed below.

**Loan-to-Deposit Ratio**

ANB’s loan to deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and management’s willingness to meet local credit needs. The bank’s quarterly LTD ratio averaged 78.36 percent since the last CRA exam. The LTD ratio ranged from its peak of 93 percent in September 2007 to its lowest point of 67 percent in June 2010. Since then, the LTD ratio increased slightly to 69 percent at the end of the fourth quarter 2010. The LTD ratio generally experienced a decreasing trend since its peak in September 2007 due to the deteriorating economy and lack of loan demand. The bank’s average LTD ratio is slightly lower than three similarly situated peer banks at 79.51 percent, but it is commensurate with its major competitor’s average LTD ratio at 78.50 percent.

**Lending in Assessment Area**

ANB originated a majority of its loans within the AA during the evaluation period. To determine lending within the AA, we reviewed the bank’s home purchase, home improvement, and home refinance loans and sampled 30 business loans originated during the evaluation period. Seventy-six percent of the bank’s loans by number, and 71 percent of the bank’s loans by dollar amount were originated in the AA. The following table reflects the ratios of sampled loans originated inside and outside the AA by the number of loans and dollar amount of loans.

<b>Lending in Whitfield County</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	23	69.70%	10	30.30%	33	\$2,802	53.86%	\$2,400	46.14%	\$5,202
Home Improvement	2	100.00%	0	0.00%	2	\$112	100.00%	\$0	0.00%	\$112
Home Refinance	84	77.06%	25	22.94%	109	\$11,225	70.15%	\$4,777	29.85%	\$16,002
Business	24	80.00%	6	20.00%	30	\$6,972	81.94%	\$1,537	18.06%	\$8,509
<b>Totals</b>	<b>133</b>	<b>76.44%</b>	<b>41</b>	<b>23.56%</b>	<b>174</b>	<b>\$21,111</b>	<b>70.78%</b>	<b>\$8,714</b>	<b>29.22%</b>	<b>\$29,825</b>

Source: data reported under HMDA; U.S. Census data, Commercial Loan Sample

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

Lending to borrowers of different incomes and to businesses of different sizes is reasonable. The percentage of home purchase and home refinance loans made to low- and moderate-income borrowers is less than the percentage of low- and moderate-income families in the AA. However, penetration of home mortgage products is reasonable when considering the number of families living below the poverty level (14 percent) and the rising unemployment rate in the AA during the evaluation period (12 percent). These factors create barriers to home ownership within the AA. Also, according to bank management, rental occupied housing has increased as foreclosures occur. The penetration of home improvement loans to low- and moderate-income families is not meaningful due to the small number of this type of loan.

<b>Borrower Distribution of Residential Real Estate Loans in Whitfield County</b>				
Borrower Income Level	Low	Moderate	Middle	Upper

Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.76%	13.04%	19.28%	13.04%	22.72%	4.35%	40.24%	43.48%
Home Improvement	17.76%	0%	19.28%	0%	22.72%	0%	40.24%	100%
Home Refinance	17.76%	8.33%	19.28%	16.67%	22.72%	23.81%	40.24%	33.33%

Source: data reported under HMDA; U.S. Census data, Income information was not available for 26 percent of the bank's home purchase loans and 18 percent of the bank's home refinance loans.

Lending to businesses of different sizes is reasonable and meets the standards for satisfactory performance. The percentage of small business loans by number made to businesses with revenues less than \$1 million exceeds the percentage of small businesses in the AA. The dollar volume of loans to small businesses in the AA is reasonable. According to US Census data, 75 percent of businesses in the AA report revenues of less than \$1 million. Of the 30 business loans we sampled, 87 percent by number, and 65 percent by dollar were made to small businesses. The following table details lending to businesses during the evaluation period.

Borrower Distribution of Loans to Businesses in Whitfield County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74.57%	5.61%	19.82%	100%
% of Bank Loans in AA by #	86.67%	10%	3.33%	100%
% of Bank Loans in AA by \$	65.29%	34.46%	0.25%	100%

Source: U.S. Census data, Commercial Loan Sample

### Geographic Distribution of Loans

Overall, the geographic distribution of loans is reasonable. The geographic distribution of residential real estate loans reflects excellent penetration within the moderate-income census tracts. The percentage for each type of home loan exceeds the percentage of owner occupied housing in the moderate-income census tracts. There are no low-income census tracts in the AA, so lending within low-income census tracts was not applicable. Our analysis of lending patterns found no conspicuous gaps of lending within the census tracts making up the AA.

Geographic Distribution of Residential Real Estate Loans in Whitfield County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.0%	0.0%	13.31%	17.39%	69.32%	56.52%	17.36%	26.09%
Home Improvement	0.0%	0.0%	13.31%	50%	69.32%	0%	17.36%	50%

Home Refinance	0.0%	0.0%	13.31%	17.86%	69.32%	61.90%	17.36%	20.24%
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Source: data reported under HMDA; U.S. Census data.

The percentage of loans extended to businesses in moderate-income census tracts is reasonable. There are less business loans in the moderate-income census tracts than the percentage of businesses in the moderate-income census tracts; however, competition in the AA is high. There are at least seven other banks in the same moderate-income census tract as Alliance NB, including several offices of large and regional banks. There are no low-income census tracts in the AA, so the geographic distribution of loans to low-income census tracts test was not applicable.

Geographic Distribution of Loans to Businesses in Whitfield County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.0%	0.0%	32.61%	20%	50.81%	50%	16.59%	30%

Source: data reported under HMDA; U.S. Census data, Commercial Loan Sample

### Responses to Complaints

Management has not received any CRA related complaints since our last examination. This has a neutral impact on the overall CRA rating.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.