



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 07, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Alliance National Bank
Charter Number 23871**

**210-214 West Morris Street
Dalton, GA 30722**

**Comptroller of the Currency
ADC - Georgia (Atlanta)
1117 Perimeter Center West Suite W401
Atlanta, GA 30338**

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.

Alliance National Bank's CRA performance rating is supported by the following:

- a reasonable loan-to-deposit ratio;
- a majority of lending within the assessment area; and
- a reasonable penetration of loans among borrowers of different incomes and to businesses of different sizes.

DESCRIPTION OF INSTITUTION

Alliance National Bank (Alliance) is a locally owned independent community bank that opened for business October 25, 1999. The bank has one office location at 210-214 West Morris Street in downtown Dalton, Georgia. As of December 31, 2001 the bank has total assets of \$60 million, total loans of \$35 million, and total deposits of \$47 million. Alliance is primarily a real estate lender with the largest portion of its real estate portfolio secured by nonfarm nonresidential properties. According to management, the bank has no specific target or niche regarding its lending activities but seeks to serve the consumer, commercial, and residential needs of its customer base.

The bank is headquartered in the highly competitive market of Dalton/Whitfield County. Within this area are seven offices of three other locally chartered banks plus 22 offices of state, regional and multinational banks. Alliance offers a variety of traditional deposit and loan products with commercial real estate loans, residential real estate loans and small business loans being its primary credit products. The bank also has an automated teller machine at its office for customer convenience. Transactional Internet banking services are offered on the bank's website.

As a denovo bank, Alliance has yet to achieve sustained profitability. For the fiscal year ended December 31, 2001, Alliance incurred a net loss of \$358M. Other than its lack of profitability, there are no financial conditions, legal restraints, or other factors that hinder the bank's ability to help meet the needs of its assessment area.

This is the first CRA examination of Alliance since it commenced operations in October 1999.

DESCRIPTION OF ASSESSMENT AREA

Alliance has defined its assessment area as all of Whitfield County. This assessment area meets the technical requirements of the Act and does not arbitrarily exclude any low- or moderate-income census areas. Whitfield County is not located in an MSA and it is divided into 15 census tracts. There are no low- or moderate-income census tracts within the county. Based on 1990

census data, 49.2% of the Whitfield County population lives in middle-income census tracts and 50.8% lives in upper-income census tracts. The percentage of families within each income category is as follows: low-income (13.62%); moderate-income (14.52%); middle-income (21.10%); and upper-income (50.76%). As of 1990, the median housing value was \$61,946. Of the total housing units in the county 62.29% were owner-occupied.

Whitfield County has four municipalities within its borders. Dalton is the county seat and is significantly larger in population than the other three cities: Cohutta, Tunnel Hill, and Varnel. The population of Whitfield County is estimated at 83,525 for the year 2000. The 2000 Housing and Urban Development Non-MSA updated median family income for Georgia is \$40,100.

Carpet manufacturing dominates the business environment of Whitfield. The area within a 50-mile radius of Dalton (portions of Whitfield, Murray, and Gordon Counties) generated 71% of all U.S. carpet production in 1997. Of the top 20 employers in terms of number of employees, seven are carpet-manufacturing firms. Also among large employers are a poultry processing plant, a printing company, a temporary placement agency, and one retail chain store. Health services, schools, and city government make up the balance of the list. In addition to the carpet industry, Whitfield has attracted a small number of other industries including chicken processing, printing, chemicals, plastics, and other products. Most new industry in the area is related in some way to the manufacture of carpet, either using carpet by-products or producing raw materials or chemicals used in processing and distributing carpet. The carpet industry has traditionally encouraged these related industries to locate nearby as a convenience, but has not been very receptive to new and unrelated industries, which might compete for infrastructure and labor supply.

As part of our examination, we obtained information from community leaders regarding local economic conditions and community credit needs. Our contacts were with representatives of an economic development organization and a community service organization. Key issues facing the Dalton/Whitfield County area are education, infrastructure, community development, leadership, and quality of life. The desire to expand residential building into the unincorporated areas of the county has been limited by the existing water and sewer systems. Improving this infrastructure is a prerequisite to increasing housing units, particularly multi-family housing units, in the county. Both individuals interviewed indicated that the financial institutions in the area provide easy access to financial services and do a good job of serving the needs of traditional and nontraditional customers within the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Alliance's loan-to-deposit ratio is reasonable in view of the community's credit needs, demand for credit, keen competition among area financial institutions, and length of time since commencing business. The bank's average loan-to-deposit ratio over the nine quarters it has been open for business (ending 12/31/01) is approximately 75% as compared to peer averages for the same period of 77%. This peer group consists of the three other banks chartered in Whitfield County.

Lending in Assessment Area

A majority of the bank's loans are made within the assessment area. Data provided to the examiners for loans on the books as of 1/17/02 shows the following:

Lending in the Assessment Area				
	# of Loans	%	\$Amount (\$000's)	%
Inside AA	467	82.5	26,458	70.4
Outside AA	99	17.5	11,099	29.6
Totals	566	100.0	37,577	100.0

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

Lending to borrowers of different incomes is reasonable. Through a sample of thirty residential and consumer loans, we compared the distribution of the income status of the borrowers in the sample to the distribution of the income status of families within Whitfield County. The two distributions reasonably approximated each other as shown below:

Distribution of Family Income Levels					
	Low	Moderate	Middle	Upper	Total
Loan Sample	10.0%	27.0%	20.0%	43.0%	100.0%
Demographic Information	13.6%	14.5%	21.1%	50.8%	100.0%

The bank has done a reasonable job of lending to borrowers from all income levels.

Lending to businesses of different sizes is also reasonable. Small business loans secured by nonfarm nonresidential properties comprised 85.68% of total loans secured by nonfarm nonresidential properties. Commercial and industrial loans to small businesses comprised 100% of total commercial and industrial loans.

Geographic Distribution of Loans

No analysis of the geographic distribution of loans within the assessment area was made since

there are no low- or moderate-income census tracts within Whitfield County.

Responses to Complaints

Alliance has not received any CRA-related complaints since the bank opened for business on October 25, 1999.

Fair Lending Review

An analysis of two years public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The bank has not had a comprehensive fair lending examination performed since opening for business.