



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

April 27, 2009

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Savannah Bank National Association  
Charter Number: 22152

25 Bull Street  
Savannah, GA 31402-0000

Office of the Comptroller of the Currency

North Florida Field Office  
8375 Dix Ellis Trail, Suite 403  
Jacksonville, FL. 32256

**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**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

- The bank's average loan-to-deposit ratio is reasonable given the size, financial condition and assessment area credit needs.
- The bank makes a substantial majority of its loans within the assessment area.
- The bank's record of lending reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The bank's community development performance demonstrates satisfactory responsiveness to the needs of its assessment area.

**DESCRIPTION OF INSTITUTION**

The Savannah Bank, N.A. (TSB) was chartered in 1990 and is locally owned and managed with six offices located in the Savannah, Georgia area. The main office is located in downtown Savannah. TSB is wholly-owned by The Savannah Bancorp, Inc., a three-bank holding company that also owns Bryan Bank & Trust in Richmond Hill, GA and Harbourside Community Bank in Hilton Head, SC. TSB offers a variety of products and services which include trust services, drive-up facilities and automated teller machine (ATM) access at all of the branches, as well as telephone and internet-banking services with 24-hour access to customer account information. There is one non-branch, proprietary ATM located in Pooler, GA.

As of March 31, 2009, the bank had total assets of approximately \$670 million with net loans accounting for 87.8% of total assets. TSB offers a variety of lending programs; but, the primary lending focus is business loans. As of March 31, 2009, business-related real estate loans represented 45.8% of the bank's loan portfolio. Business loans not related to real estate represented an additional 10.5% of the loan portfolio. Residential mortgage lending represents 36.9% of the loan portfolio. There are no financial, legal or regulatory constraints that would prevent the bank from meeting the credit needs of the community. The last CRA examination was March 6, 2006, when the bank received a "Satisfactory" rating.

**DESCRIPTION OF THE ASSESSMENT AREA**

TSB's assessment area (AA) consists of all of Chatham County and includes the cities of Savannah (the county seat), Bloomingdale, Garden City, Pooler, Port Wentworth, Thunderbolt, Tybee Island and Vernonburg. The AA is located in the Savannah, GA Metropolitan Statistical Area (MSA# 42340). The entire MSA includes the counties of Bryan and Effingham; however, they are not included in the TSB AA. The AA is comprised of 68 census tracts, all of which are located in Chatham County. Based on the 2004 Census Bureau median family income of \$47,195, there are thirteen census tracts classified as low-income, twenty as moderate-income, twenty-one as middle-income and thirteen are classified as upper-income. One tract is a military

base that has not been given an income classification.

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Additional data on the AA is detailed below.

<b>Savannah MSA</b>	2004 Census	2008 <sup>1</sup>
Median Family Income	\$47,195	\$ 54,800

<b>Chatham County AA Census Tract Category</b>	<b># of Census Tracts</b>	<b>% of Total</b>
Low-Income	13	19.12%
Moderate-Income	20	29.41%
Middle-Income	21	30.88%
Upper-Income	13	19.12%
No Data Available	1	1.47%
<b>Total</b>	<b>68</b>	<b>100.00%</b>

<b>Chatham County AA Income Category</b>	<b>Families in the AA</b>
Low-Income Families	23.26%
Moderate-Income Families	16.99%
Middle-Income Families	20.33%
Upper-Income Families	39.42%
<b>Total</b>	<b>100.00%</b>

<b>Chatham County AA Tract Category</b>	<b>Families residing in tracts</b>
Low-Income Tracts	8.64%
Moderate-Income Tracts	26.19%
Middle-Income Tracts	37.64%
Upper-Income Tracts	27.54%
<b>Total</b>	<b>100.00%</b>

According to data from the 2000 Census, the assessment area has a total population of 232,048 persons. Housing units in the AA total 99,683 with the substantial majority (86%) classified as 1-4 family units. Multifamily housing represents 13.8% of total housing units in the AA. The AA has a significant number of rental housing units at 36%. The remaining housing units are owner-occupied (54%) or vacant (10%). 2000 Census data indicates that the median housing value is \$107,749 and the median age of the housing stock is 41 years. Rising home foreclosures have impacted Georgia, including the AA. The State of Georgia ranked 7<sup>th</sup> for foreclosures in the United States for the first quarter of 2009. Five counties in the Atlanta Metro area comprised 47% of the total foreclosure activity in the state. Chatham County ranked 16<sup>th</sup> out of 159 counties in Georgia with one of every 254 homes in foreclosure<sup>2</sup>.

Major industries in the MSA include manufacturing, services, tourism, and retail trade. The largest employers are Gulfstream Aerospace, Memorial Health University Medical Center, Hunter Army Airfield and Chatham Board of Education<sup>3</sup>. As with much of the United States, unemployment has increased in the Savannah MSA. Data from the SEDA shows that the March 2009 unemployment rate was 7.5% for the Savannah MSA, which is lower than the State of Georgia (9.2%) and the nation (9.0%) for the same time period.

<sup>1</sup> Department of Housing and Urban Development

<sup>2</sup> Realtytrac – [www.realtytrac.com](http://www.realtytrac.com); March 2009

<sup>3</sup> Savannah Economic Development Authority (SEDA) – [www.seda.org](http://www.seda.org)

Competition for financial services within the Chatham County AA is strong and includes branches of multinational banks, regional banks, local community banks, credit unions and other nonbank financial service providers. FDIC data shows that TSB has 11.7% of the market share of deposits in the AA as of June 30, 2008.

**COMMUNITY CONTACTS**

During the evaluation period, the OCC met with representatives from local non-profit and municipal organizations that focus on housing and community development in areas that include the AA. These organizations identified community needs for financial representatives that provide technical assistance through lending and investing expertise and programs that offer affordable construction and mortgage loans for low- and moderate-income families.

**SCOPE OF THE EXAMINATION**

The time period for this evaluation is March 2006 through March 2009. The Savannah Bank, N.A. was evaluated based on an analysis of residential mortgage products and loans to businesses. The table below provides data on the volume of loans originated, renewed or purchased during the evaluation period. Consumer loans were not included in the lending analysis as this is optional information and represents a very low percentage of loan dollar volume. Refer to the comments within each performance criteria for a discussion of the loan sampling methodology used for this evaluation.

Product Type	By # of Loans		By \$ Volume of Loans	
Residential Mortgages	1,362	33.2%	\$276,912,422	30.3%
Commercial & CRE	1,220	29.7%	\$444,939,075	48.8%
Construction & Development	336	8.2%	\$162,624,976	17.8%
Consumer Loans	1,185	28.9%	\$27,927,833	3.1%
Totals	4,103	100.0%	\$912,404,306	100.0%

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

- **Loan to Deposit Ratio- Meets the standards for Satisfactory Performance**

*The banks average loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition and AA credit needs.* The bank’s quarterly average LTD ratio was calculated from the 1<sup>st</sup> quarter of 2006 through the 4<sup>th</sup> quarter of 2008. The resulting average LTD ratio is 103.8%. The average LTD ratio for local peer banks is 86.9%. Local peer banks are those headquartered in Chatham County, as well as neighboring counties of Bryan, Effingham and Jasper in Georgia, and Beaufort County in South Carolina. This totaled 10 financial institutions and their ratios ranged from 100.0% to 56.3%.

- **Lending in Assessment Area – Exceeds the Standard for Satisfactory Performance**

*The bank makes a substantial majority of its loans within the assessment area.* We based our conclusions on a sample of the bank’s two primary loan products—residential mortgages and business loans. First, we performed an analysis using data collected for all residential mortgage loans made during the evaluation period in accordance with the Home Mortgage Disclosure Act (HMDA). This included loans to purchase homes or refinance home mortgages as well as home improvement loans. The HMDA data excludes home equity lines of credit, which are included in the total origination figures on page 3. We also reviewed data provided by the bank for business loans made during the evaluation period. The results for both loan types are summarized below.

Loan Type	Number of Loans					Dollar Volume of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Mortgages	845	81.25%	195	18.75%	1,040	\$220,391	76.06%	\$69,382	23.94%	\$289,773
Business Loans	1,070	84.85%	187	14.83%	1,257	\$341,430	71.04%	\$138,661	28.85%	\$480,091

We also obtained a random sample of 25 loans made to businesses within this same time frame. Our sample supports the bank data. Of the sampled loans, 20, or 80% were originated within the AA.

- **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes – Meets the Standard for Satisfactory Performance**

TSB’s level of lending to borrowers of different incomes reflects a low penetration of low- and moderate-income borrowers. However, the level of lending to businesses of different sizes reflects a satisfactory record of lending to small businesses and providing small loans to businesses.

*The bank’s record of lending reflects low penetration among borrowers of different income levels.* This analysis used the data for the 845 residential mortgages made within the assessment area discussed above. We compared the income distribution of the bank’s borrowers to the income distribution of families within the assessment area. The borrowers were categorized into income groups based on the 2006-2008 HUD median family income categories. The distribution of families in the assessment area (“% of Families in the AA”) is based on 2000 U.S. Census Bureau data. The results are detailed in Table 2A.

We did note that the bank’s level of residential mortgage lending to low- and moderate-income borrowers was low compared to the population of families in the AA. TSB offers mortgage products for home purchase, refinance and improvement; but, the bank does not offer long-term products like 30-year, fixed rate mortgages. TSB’s mortgage division makes referrals for consumers to municipal and community organizations that can provide downpayment assistance and first-time homebuyer products.

Table 2A - Borrower Distribution of TSB Residential Real Estate Loans in the AA									
Borrower Income Level	Low-Income		Moderate-Income		Middle-Income		Upper-Income		Data Not Available
<b>Chatham County AA</b>	% of Families In the AA	% of TSB Loans (by #)	% of Families In the AA	% of TSB Loans (by #)	% of Families In the AA	% of TSB Loans (by #)	% of Families In the AA	% of TSB Loans (by #)	
Home Purchase Loans	23.26%	1.98%	16.99%	3.16%	20.33%	6.32%	39.42%	53.75%	34.78%
Home Improvement Loans		1.59%		4.76%		9.52%		60.32%	23.81%
Refinance Loans		2.27%		5.67%		6.43%		63.33%	22.31%

Source: HMDA Data; Census Data.

*The bank’s record of lending reflects a reasonable penetration among businesses of different sizes.* This was based on an analysis of the sampled 20 business loans originated within the assessment area during the evaluation period. Revenue data was obtained for each loan in the sample. We determined that the bank makes loans to businesses of varying sizes, but primarily to small businesses. The analysis showed half of the total number of business loans sampled (71% based on business loan amounts), were to small businesses (those with total revenues less than \$1 million). In comparison, economic data indicates that 57.9% of all businesses operating within the AA are considered small businesses (revenue data was not available for some of the businesses in the assessment areas).

Table 2B - Borrower Distribution of TSB Loans to Businesses in the AA				
Business Revenues (or Sales)	<\$1,000,000	>\$1,000,000	Data Not Available	Total
% of Bank Loans in AA by #	50.00%	50.00%	0.00%	100.00%
% of Bank Loans in AA by \$	71.10%	28.90%	0.00%	100.00%
% of <b>Chatham County AA</b> Businesses by #	57.91%	4.12%	37.97%	100.00%

Source: TSB Business Loan Data; Dun & Bradstreet Data.

TSB also makes a large portion of their business loans in smaller dollar amounts. For this analysis, we used the entire population of 1,070 business loans made within the AA. The population included loans with original amounts ranging from \$2,500 to \$6.8 million. This is a favorable indicator that TSB makes loans in amounts that meet the needs of smaller businesses. A detailed breakdown by loan amount is presented below.

Table 2C - Borrower Distribution of TSB Loans to Businesses in the AA by Loan Size				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	461	43.08%	\$19,739,527	5.78%
\$100,001 - \$250,000	236	22.06%	\$40,613,090	11.89%
\$250,001 - \$500,000	180	16.82%	\$64,280,123	18.83%
\$500,001 - \$1,000,000	127	11.87%	\$86,734,625	25.40%
Over \$1,000,000	66	6.17%	\$130,063,238	38.09%
<b>Totals</b>	1,070	100.00%	\$341,430,604	100.00%

Source: TSB Business Loan Data.

- **Geographic Distribution of Loans – Meets the Standard for Satisfactory Performance**

*The geographic distribution of loans reflects a more than reasonable dispersion throughout the assessment area.* The distribution of TSB’s loans reflects lending in most tracts. There were no conspicuous gaps noted in the bank's geographic lending distribution. For this analysis, we first compared the geographic distribution of the residential loans sampled within the assessment area to the level of owner-occupied housing within each geographic area. The level of owner-occupied housing is an indicator of the opportunities available for residential mortgage financing. The lower the level of owner-occupied housing, the fewer opportunities available for home improvement, refinance or other mortgage loans. This factor is also evaluated in the context of the bank’s size and the level of banking competition in the area. Based on our findings, the bank has a more than reasonable record of lending to individuals in different geographies. The results of our analysis are summarized in Table 3A.

Table 3A - Geographic Distribution of TSB Residential Real Estate Loans in the AA								
Census Tract Income Level	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
<b><u>Chatham County AA</u></b>	% of AA Owner Occupied Housing	% of Number of TSB Loans	% of AA Owner Occupied Housing	% of Number of TSB Loans	% of AA Owner Occupied Housing	% of Number of TSB Loans	% of AA Owner Occupied Housing	% of Number of TSB Loans
Home Purchase Loans	5.16%	6.72%	22.21%	21.74%	40.66%	34.39%	31.97%	37.15%
Home Improvement Loans		12.70%		12.70%		22.22%		52.38%
Refinance		5.86%		16.82%		28.92%		48.39%

Source: HMDA Data; Census Data.

Next, we analyzed the geographic distribution of TSB’s business loans. For this analysis, we used the 1,070 business loans originated within the assessment area during the evaluation period. Geographic data was provided based on the location of the business or the property purchased, depending on the nature of the loan. For comparison, we reviewed economic data that shows the geographic location of businesses in the assessment area. Based on our findings, the bank has a reasonable record of lending to businesses in different geographies. The bank’s record of

lending to businesses in low- or moderate-income geographies was near to, or exceeded, the percentage of businesses located in those areas.

Table 3B - Geographic Distribution of Loans to Businesses in the TSB AA								
Census Tract Income Level	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
<u>Chatham County AA</u>	% of AA Businesses	% of Number of TSB Loans	% of AA Businesses	% of Number of TSB Loans	% of AA Businesses	% of Number of TSB Loans	% of AA Businesses	% of Number of TSB Loans
Business Loans	7.72%	4.49%	21.77%	27.48%	44.18%	42.90%	25.99%	25.14%

Source: Data not available for 0.34% of AA businesses. TSB Business Loan Data; Dun & Bradstreet Data

• **Responses to Complaints – Not Applicable**

We reviewed records of consumer complaints regarding TSB made to our agency and those maintained by the bank in the public file. There were no complaints made relative to the Community Reinvestment Act during this evaluation period.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW – Not Applicable**

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

**COMMUNITY DEVELOPMENT TEST**

**The bank’s performance under the Community Development Test is rated “Satisfactory”.**

The bank’s community development (CD) performance demonstrates satisfactory responsiveness to the needs of its AA through community development loans, qualified investments (QI) and community development services, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s AA.

We reviewed information provided by TSB for community development activities within the AA during the evaluation period. The information was reviewed to validate that the activities supported community development and were responsive to community needs.

• **Community Development Loans**

Number of Loans	\$ Volume of Loans
50	\$36,768,212

***TSB has an excellent level of community development (CD) lending that showed responsiveness to community needs.*** CD lending for TSB consists primarily of loans to construct affordable housing in the AA. The bank made loans to builders to finance the construction of single-family homes and multi-family apartments. Most of these projects were done in conjunction with affordable housing programs through state, municipal and community organizations. Other CD loans included financing for the expansion of a nursing home where

the majority of residents are low- or moderate-income and funding to a church for a community daycare in a moderate-income area.

- **Community Development Investments**

Number of QI	\$ Volume of QI
15	\$1,029,547

*TSB has an adequate level of qualified investments in the AA given its size and capacity to provide such investments.* TSB made a significant amount of monetary donations to community organizations during the evaluation period. These organizations provide needed services in the community. However, many did not meet the definition of “community development” to be considered under the Investment Test and were excluded from the numbers above. The investments that were included were made to community development organizations that provided services targeted to low- or moderate-income persons in the AA including homeless shelters, youth programs, and skills training programs. TSB made investments in Low-Income Housing Tax Credits that provide for the development of low- and moderate-income housing. TSB also made an investment in a minority-owned bank that operates in the AA.

- **Community Development Services**

*The extent to which the bank provides banking services and community development services is adequate given its size and capacity to provide such services.*

The types of services available at TSB are responsive to the needs of low- and moderate-income persons in the community. Banking services include a free checking account that has no monthly service charge, no minimum balance required and no per check charges. The bank’s branch network also provides availability to low- and moderate-income persons in the community. One of the bank’s branches is located in a moderate-income geography. All branches are full service facilities with ATM and drive-through facilities.

Bank personnel have also engaged in community development services that are responsive to community needs, though the level of services was low over the evaluation period. There were eight qualifying services since the last CRA examination. These activities were primarily teaching low- or moderate-income individuals about banking and financial management skills.