



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 28, 2011**

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

Savannah Bank National Association  
Charter Number 12810

1565 Main Street, P.O. Box 278  
Savannah, NY 13146

Office of the Comptroller of the Currency

UPSTATE NEW YORK (SYRACUSE) Field Office  
5000 Brittonfield Parkway Suite 102  
East Syracuse, NY. 13057

**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 following points support the above rating:

- Savannah Bank N.A. (SBNA) had an average loan-to-deposit ratio during the evaluation period that was reasonable compared to similarly situated institutions.
- A majority of the loans originated were in the bank's assessment areas (AA).
- SBNA had a reasonable penetration of business and consumer loans to businesses of different sizes and borrowers of different income levels during the evaluation period.
- SBNA had a reasonable dispersion of business and consumer loans to moderate-income census tracts.

**SCOPE OF EXAMINATION**

The current evaluation period covers the dates from January 9, 2006 through March 27, 2011. However, the sampled loans were originated from the period of January 1, 2008 through December 31, 2010. This period was representative of the entire evaluation period as no strategic changes or changes in lending standards took place. We determined that business loans were the bank's primary product followed by consumer loans after evaluating originations during the period by both count and amount and by discussing the matter with bank management. We chose a random sample of both primary loan products for each of the bank's AAs. A total of 80 loans were selected (20 for each loan product for both AAs).

**DESCRIPTION OF INSTITUTION**

SBNA is a community bank headquartered in Savannah, New York. In addition to the main office located in Wayne County, the bank has four branches located in Cayuga and Seneca Counties (Waterloo, Fair Haven, Auburn, and Port Byron). The Port Byron branch was opened in May 2006. No branches were closed during the assessment period. As of December 31, 2010, SBNA had total assets of \$101 million consisting mainly of loans (48%) and investments (43%). Assets were funded primarily through core deposits representing 71% of total assets. For CRA purposes, business loans include both commercial real estate and commercial and industrial loans. Business loans amounted to approximately 48% of total loans, followed by 1-4 family residential at 41%, and loans to individuals at 9%. The bank does some agricultural lending, but the total amount of the portfolio is negligible at under 0.5%. The bank's business strategy is to focus on lending and deposit taking activities in those areas in Cayuga, Seneca, and Wayne Counties, with customers that prefer a community bank that can provide a level of service that larger institutions cannot provide.

SBNA faces competition from other community, regional, and large banking institutions throughout both AAs. However, most competition is centered in the City of Auburn. The main office in Savannah and the Waterloo, Auburn, and Port Byron locations offer full services from Monday through Wednesday from 8:30 AM to 4:00 PM and Thursday/Friday to 5:00 PM. The Fair Haven location is open Monday through Wednesday from 10:00 AM to 3:00 PM and Thursday/Friday to 5:00 PM. The Auburn, Port Byron, and Waterloo locations are also open for limited hours on Saturday. All locations have Automatic Teller Machines (ATM) available for customer transactions. SBNA offers customers Internet Banking services to allow for loan and deposit account access, intra-bank transfers, and online bill payments.

SBNA has no legal or financial impediments that would hinder its ability to help meet the credit needs in its defined AAs. At the last CRA examination dated January 9, 2006, the bank demonstrated a satisfactory level of performance.

## **DESCRIPTION OF ASSESSMENT AREAS**

SBNA has two AAs consisting of 20 census tracts in Cayuga and Seneca Counties and four census tracts in Wayne County. The tracts are separated into two distinct AAs because Wayne County is considered to be in the Rochester Metropolitan Statistical Area (MSA), and Cayuga and Seneca are not located in an MSA. For the purposes of this report, we refer to the AAs as the Non-MSA AA and the Rochester MSA AA. All 24 census tracts are contiguous and contain all five bank locations. The AAs consist of census tracts in Western Cayuga, Northern Seneca, and Eastern Wayne County that the bank can be reasonably expected to serve given the institution's size and strategy. The AAs consist of entire townships (including all eight tracts that are contained in the City of Auburn) and do not arbitrarily exclude low- and moderate-income tracts. Of the bank's five locations, only the main office in Savannah is located in the Rochester MSA AA. A vast majority of the bank's lending activity (80%) during the assessment period took place in the Non-MSA AA. Also, only \$22 million (24%) of the bank's total deposits came from Wayne County. We conducted a full-scope review of both AAs, but more weight was given to results from the Non-MSA AA in determining performance for a given test.

During our examination, we contacted one local organization that assists low- and moderate-income individuals in the area. A specific community need mentioned was the availability of credit for these individuals to purchase transportation for work, as the area is mostly rural and lacks public transportation. The contact mentioned a program for which they partner with SBNA to provide small loans for vehicles and assist these individuals in the event of default. The contact was pleased with SBNA's efforts in this partnership and other services provided by the bank and bank personnel.

### **NON-MSA ASSESSMENT AREA**

Of the 20 census tracts in the Non-MSA AA, one is designated moderate-income, 16 middle-income, two upper-income, and one with no income designation. The tract with no income designation represents the New York State Auburn Correctional Facility.

The moderate-income tract is located in the City of Auburn. The AA does not have any tracts designated as low-income. According to 2010 U.S. Census data, the AA has a population of 73,544. A total of 32,464 housing units are located in the AA, with 58% listed as owner-occupied. Approximately 12.5% of the AA housing units are vacant. The weighted average median age of the AA houses is 61 years old with a value of \$68,555. A total of 12.56% of the households in the AA are living below poverty level.

As is the case throughout the nation, economic conditions have deteriorated in the AA during the evaluation period. During the evaluation period, the unemployment rates for Cayuga and Seneca Counties increased from approximately 5.0% to 8.2% and 7.9%, respectively. These increases are on par with all of New York State, which increased from 5.0% to 8.0%. A total of 4,356 businesses (255 farms) were located within the AA as of 2010, with 70.04% with gross revenues less than \$500 thousand per year. Major employers in the area include Auburn Memorial Hospital and the Auburn Correctional Facility.

## **ROCHESTER MSA ASSESSMENT AREA**

Of the four census tracts in the Rochester MSA AA, two are designated moderate-income, and two are middle-income. The moderate-income tracts represent the Villages of Clyde and Wolcott to the north. The AA does not have any tracts designated as low- or upper-income. According to 2010 U.S. Census data, the AA has a population of 15,688. A total of 6,481 housing units are located in the AA, with 69% listed as owner-occupied. Approximately 12% of the AA housing units are vacant. The weighted average median age of the AA houses is 60 years old with a value of \$62,539. A total of 11.99% of the households in the AA are living below poverty level.

During the evaluation period, the unemployment rate in Wayne County has increased from 5.3% to 8.6%. A total of 900 businesses (95 farms) were located within the AA as of 2010, with 82.11% with gross revenues less than \$500 thousand per year. Although the AA is in the Rochester MSA, the tracts represented in the AA are mainly rural with small villages and townships spread throughout. SBNA faces competition from another community bank and a large regional bank in the Village of Clyde and a few large bank branches in the northern portion of the AA.

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

SBNA's performance with regard to the lending test met the standard for satisfactory performance. The performance level for the lending test was based on four individual factors: loan-to-deposit ratio, lending in the AAs, lending to borrowers of different incomes and businesses of different sizes, and the geographic distribution of loans.

### **Loan-to-Deposit Ratio**

SBNA's average loan-to-deposit ratio during the evaluation period was reasonable. The average quarterly loan-to-deposit ratio since the last CRA examination up to December

31, 2010 was 51.30%. In comparison, three similarly situated banks operating in similar markets or competing directly with SBNA had average quarterly loan-to-deposit ratios ranging from 38.63% to 63.10%.

**Lending in Assessment Area**

SBNA had a majority of loans originated within its AAs during the assessment period. The bank originated 66.08% by count and 59.58% by amount of loans in the AAs. For this assessment rather than sampling, we used the entire population of consumer and business loans originated from January 1, 2008 to December 31, 2010. Refer to the chart below for more information.

<b>Lending in the Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer /Business	902	66.08%	463	33.92%	1,365	18,122	59.58%	12,294	40.42%	30,416

*Source: All consumer and business loans originated between January 1, 2008 and December 31, 2010.*

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

SBNA had a reasonable penetration of loans to borrowers of different incomes and businesses of different sizes during the evaluation period. The penetration for both AAs was reasonable on an individual basis. For the Non-MSA AA, the percentage of business loans to small businesses (those with gross revenues of \$1 million or less annually) at 65% of our sample by count was near to the number of small businesses in the AA at 73.59%. When determining bank performance, we rely on the percentage by count. The reason for this is larger businesses typically have larger loans, which skew the numbers in favor of large business loans. The percentage of consumer loans to low-income borrowers at 40% of our sample significantly exceeded the percentage of AA low-income households at 25.79%. The percentage of consumer loans to moderate-income borrowers at 15% of our sample was slightly lower than the percentage of AA moderate-income households at 17.69%. For more information, refer to the charts below.

<b>Borrower Distribution of Loans to Businesses in Non-MSA Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.59%	4.42%	21.99%	100%
% of Bank Loans in AA by #	65%	35%		100%
% of Bank Loans in AA by \$	39.75%	60.25%		100%

*Source: % of Bank Loans is from the loan sample; % of AA Businesses is from Dun and Bradstreet data.*

<b>Borrower Distribution of Consumer Loans in Non-MSA Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	25.79%	40%	17.69%	15%	20.05%	35%	36.47%	10%

Source: % of Number of Loans is from the loan sample; % of AA Households is from the 2000 U.S. Census data.

For the Rochester MSA AA, the percentage of business loans to small businesses at 60% of our sample by count was lower than the number of small businesses in the AA at 83.35%. The percentage of consumer loans to low-income borrowers at 45% of our sample significantly exceeded the percentage of AA low-income households at 28.28%. The percentage of consumer loans to moderate-income borrowers at 30% of our sample also significantly exceeded the percentage of AA moderate-income households at 19.96%. For more information, refer to the charts below.

<b>Borrower Distribution of Loans to Businesses in Rochester MSA Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	83.35%	2.73%	13.92%	100%
% of Bank Loans in AA by #	60%	40%		100%
% of Bank Loans in AA by \$	33.58%	66.42%		100%

Source: % of Bank Loans is from the loan sample; % of AA Businesses is from Dun and Bradstreet data.

<b>Borrower Distribution of Consumer Loans in Rochester MSA Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	28.28%	45%	19.96%	30%	21.27%	25%	30.49%	0%

Source: % of Number of Loans is from the loan sample; % of AA Households is from the 2000 U.S. Census data.

### Geographic Distribution of Loans

SBNA had a reasonable dispersion of consumer and business loans during the evaluation period. This geographic dispersion rating was due to the fact that the Rochester MSA AA was given lesser weight in determining the overall geographic dispersion. For the Non-MSA AA, the geographic dispersion was excellent. The

percentage of loans to borrowers in the moderate-income census tract exceeded the standards for comparison for both business and consumer loans. The percentage of business loans in the moderate-income tract at 10% of our sample exceeded the percentage of businesses located in that tract at 6.71%. The percentage of consumer loans in the moderate-income tract at 5% of our sample exceeded the percentage of households at 4.71%. Refer to the charts below for more information.

<b>Geographic Distribution of Loans to Businesses in the Non-MSA Assessment Area</b>								
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
	0%	0%	6.71%	10%	86.34%	75%	6.88%	15%

*Source: % of Number of Loans is from the loan sample; % of AA Businesses is from the 2000 U.S. Census data. \*0.07% of the AA businesses are located in the tract with a NA designated income, which represents the Auburn Correctional Facility.*

<b>Geographic Distribution of Consumer Loans in the Non-MSA Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	0%	4.71%	5%	86.65%	80%	8.65%	15%

*Source: % of Number of Loans is from the loan sample; % of AA Households is from the 2000 U.S. Census data.*

For the Rochester MSA AA, the geographic dispersion was poor. The percentage of business loans in moderate-income census tracts at 20% of our sample was well below the percentage of businesses located in those tracts at 48.20%. The percentage of consumer loans in the moderate-income tracts at 15% are also well below the percentage of households at 45.55%. Refer to the charts on the following page for more information.

Geographic Distribution of Loans to Businesses in the Rochester MSA Assessment Area								
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
	0%	0%	48.20%	20%	51.80%	80%	0%	0%

Source: % of Number of Loans is from the loan sample; % of AA Businesses is from the 2000 U.S. Census data.

Geographic Distribution of Consumer Loans in the Rochester Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	0%	45.55%	15%	54.45%	85%	0%	0%

Source: % of Number of Loans is from the loan sample; % of AA Households is from the 2000 U.S. Census data.

### Responses to Complaints

SBNA has not received any complaints regarding its CRA performance since the prior examination.

### 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.