



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 6, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Savannah Bank, National Association
22152**

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Savannah, Georgia 31402**

**Comptroller of the Currency
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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 COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated Satisfactory.

The Lending Test is rated Satisfactory. The rating is based on:

- The Savannah Bank, N.A.'s (TSB) average loan-to-deposit ratio is excellent in comparison to similar-sized institutions.
- A majority of business lending occurs within the assessment area.
- TSB's lending to businesses of different sizes, particularly to small businesses, is satisfactory.
- The geographic distribution of business lending is reasonable.

The Community Development Test is rated Satisfactory. The rating is based on:

- TSB originated a satisfactory level of community development loans and investments that address affordable housing and redevelopment needs.

DESCRIPTION OF INSTITUTION

The Savannah Bank, N.A. was chartered in 1990 and is locally owned and managed with five offices located in the Savannah, Georgia area. The main office is located in downtown Savannah. 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.

TSB offers a variety of lending programs with a primary focus on business loans. Business lending represents 69% of the total loan portfolio with the remaining 31% in consumer lending. During the evaluation period, a vast number of residential mortgage applications were handled through TSB's loan production office located in Hilton Head Island, South Carolina and sold in the secondary market. Since the loan production office in South Carolina generated a large portion of the consumer lending, our evaluation focused on the business loans generated by TSB within its designated assessment area (AA) of Chatham County.

As of December 31, 2005, the bank had total assets of approximately \$540 million with net loans accounting for 85.5% of total assets. Tier 1 capital of \$43 million represents 8% of total assets. TSB is wholly owned by The Savannah Bancorp, Inc., a three-bank holding company. There are no financial or regulatory constraints that would prevent the bank from meeting the credit needs of the community. The last CRA examination was February 18, 2003 when the bank received a Satisfactory rating.

DESCRIPTION OF CHATHAM COUNTY

TSB's AA consists of all of Chatham County and includes the cities of Savannah, Garden City, Pooler, Burroughs, Port Wentworth, Bloomingdale, Thunderbolt, Tybee Island, Montgomery and Wilmington. The AA is located in the Savannah metropolitan area (MA# 42340) and is comprised of 68 census tracts, all of which are located in Chatham County. Based on the 2000 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.

Chatham County is the sixth largest county in Georgia and major industries include manufacturing, services, tourism, and retail trade. The largest employers are Gulfstream Aerospace, Hunter Army Airfield, Chatham Board of Education and Georgia-Pacific. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Based on the 2000 Census Bureau economic information, there are a total of 11,311 businesses located in TSB's assessment area which are dispersed as follows: 8% are located in a low-income tract, 21% in a moderate-income tract, 43% in a middle-income tract and 28% in an upper-income tract.

Contact by the OCC with a local non-profit organization identified affordable housing programs for low- and moderate-income families and construction financing for 1-4 family housing as a continuing credit need in the assessment area.

Competition for financial services within the bank's AA is intense and includes several branches of multinational and regional banks, local community banks, credit unions and other nonbank financial service providers.

SCOPE OF EXAMINATION

Due to TSB's business focus, we evaluated small business lending within the bank's AA using data for the period beginning January 1, 2004 through February 28, 2006. For community development loans, investments and services, our evaluation period runs from the ending date of the last CRA examination, which is February 2003, through March 6, 2006, the starting date of this evaluation.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

- **Loan-to-Deposit (LTD) Ratio-Exceeds the Standard for Satisfactory Performance**

TSB's average LTD ratio is excellent in comparison to similar-sized institutions. The average LTD ratio was calculated and averaged for each quarter since the last CRA exam in February

2003. We compared this ratio to those calculated for four similarly situated Chatham County banks (banks with less than \$600 million in total assets). The LTD ratio for the last 12 quarters for TSB was at 102.10%, well above the four banks' average LTD ratio of 88.86%.

- **Lending in Assessment Area - Meets the Standard for Satisfactory Performance**

A majority of business lending occurs within the assessment area. This conclusion is based on our analysis of a sample of 76 business loans originated between January 1, 2004 and February 28, 2006. As detailed in the table below, 79% (by number) and 62% (by dollar amount) of total business loans made during our evaluation period were within TSB's assessment area.

Assessment Lending in Chatham County										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	60	79%	16	21%	76	\$17,173	62%	\$10,333	38%	\$27,506

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

TSB's lending to businesses of different sizes, particularly to small businesses, is satisfactory. Our analysis is based on a random sample of business loans originated during the evaluation period. Our analysis did not include a review of consumer loans, as this is not a primary loan product for the bank. Our sample of 60 business loans within the assessment area noted very few loans with original loan amounts in excess of \$1 million. A more detailed analysis of that sample shows that on 40 loans (67% by number), the borrowing entity had gross revenues under \$1 million.

Loans to Small Farms and Businesses - Distribution by Gross Revenues

Borrower Distribution to Businesses in Chatham County				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	60%	6%	34%	100.00%
% of Bank Loans in AA by #	66.67%	33.33%	0.00%	100.00%
% of Bank Loans in AA by \$	53.24%	46.76%	0.00%	100.00%

Loans to Small Farms and Businesses - Proxy Distribution by Loan Size

The following chart shows a breakdown of the above loans according to loan size.

Borrower Distribution of Loans to Businesses by Loan Size in Chatham County				
Loan Size	Number of loans	% of Number	Dollar Volume of Loans	% of Dollars
0-100,000	29	48.33%	1,362,704	7.94%
100,001-250,000	12	20.00%	1,879,395	10.94%
250,001-500,000	8	13.33%	2,839,150	16.53%
500,001-1,000,000	8	13.33%	5,485,838	31.95%
1,000,001-2,500,000	3	5.00%	5,605,376	32.64%
Total	60	100.00%	17,172,463	100.00%

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

The geographic distribution of business lending is reasonable. The following table reflects the distribution of sampled loans within the bank’s assessment area by income designation of census tract.

Geographic Distribution of Small Commercial Loans (less \$1MM in revenues) in Chatham County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
	8.00%	3.33%	21.00%	25.00%	43.00%	50.00%	28.00%	21.67%

Our loan sample shows the bank extended 25% of its business loans to businesses located or operating in moderate-income census tracts. By comparison, these census tracts account for 21% of all businesses within the assessment area. Likewise, lending to low-, middle- and upper-income census tract businesses also show a similar pattern of distribution as shown in the chart above.

- **Response to Consumer Complaints - Not Applicable**

There were no CRA-related complaints received by the bank or our office during the period of evaluation.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices.

Community Development (CD) Test – Meets the standard for satisfactory performance

TSB's community development performance demonstrates a satisfactory volume of CD loans and investments that address affordable housing and redevelopment needs.

Loans

During this evaluation period, the bank made twelve CD loans totaling \$5.2 million that primarily provide affordable housing for low- and moderate-income residents. Selected CD loans of significance are detailed below.

In October 2004, the bank funded a community development construction loan in the amount of \$180,000 to Mercy Housing Georgia Holdings, LLC, as part of the Federal Home Loan Bank Edge (Economic Development and Growth Enhancement) program. Mercy Housing Georgia Holdings, LLC is a not-for-profit housing development and management organization, whose mission is to “create and strengthen healthy communities through the provision of quality affordable housing for individuals and families who are economically poor.” This project includes rehabilitating two commercial spaces for Mercy Housing’s development office and a clinic.

In October 2005, a \$1.7 million loan was made to refinance a 64-unit apartment complex to help meet the demand for low- and moderate-income housing. Some of the residents qualify and receive subsidized rent based on their income.

On January 31, 2006, the bank made a community development construction loan in the amount of \$664,191 for the purpose of funding a work order between the construction company and the developer, Mercy Housing. This loan is in association with other financing awarded in 2003 for the purpose of rehabilitating a 4-unit dilapidated apartment building (Heritage Corner and Row Apartments) located in Savannah in the Cuyler-Brownsville Neighborhood, a low-income geography.

Investments

In May and November 2004, the bank invested in two Low Income Housing Tax Credits, (LIHTC), in the amounts of \$2 million and \$120,000, respectively. Approximately \$838,000 of the LIHTC directly benefits the bank’s AA with the remaining \$1.3 million benefiting areas outside the bank’s AA. Tax credits are authorized under the Georgia state tax code which are designed to encourage private investors to provide a public benefit in the form of affordable housing by allowing an investor to take a dollar for dollar reduction in state tax liability. Credits are allowed for residential properties in Georgia that qualify for low-income housing tax credits under the IRS code. Properties must satisfy certain restrictions related to the income level of the tenants and the amount of rent charged, and the property owner has received an allocation of Federal Credits from the applicable state-housing agency.

On September 29, 2005, the bank invested in another LIHTC in the amount of \$424,139 to Stateside Georgia Tax Credit Fund I, LLC (The Fund). The Fund is a Georgia-limited liability company organized for the purpose of investing, directly or indirectly, in operating partnerships that will develop, rehabilitate, own and operate residential properties that qualify for Georgia Credits.

Services

During the evaluation period, a TSB employee served as a Board Member for the America's Second Harvest Food Bank of Coastal Georgia, a non-profit organization, which provides food to low- and moderate-income individuals.