



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Savannah Bank National Association
Charter Number 22152

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Savannah, GA 31402-0000

Office of the 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.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING	2
SCOPE OF EXAMINATION.....	2
DESCRIPTION OF INSTITUTION	3
SELECTION OF AREAS FOR FULL-SCOPE REVIEW.....	3
RATINGS	4
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	5
STATE RATING.....	6
STATE OF GEORGIA	13
STATE RATING.....	6
STATE OF SOUTH CAROLINA	13
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: SUMMARY OF MULTISTATE METROPOLITAN AREA AND STATE RATINGS	B-1

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory”

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

Major factors supporting the institution's rating include:

The bank's average loan-to-deposit ratio is more than reasonable given the bank's size and economic conditions.

The bank makes a substantial majority of its loans within the assessment area.

The bank's record of lending to businesses reflects reasonable penetration among businesses of different sizes.

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

The bank's community development performance demonstrates excellent responsiveness to needs in the assessment area.

Scope of Examination

This Performance Evaluation assesses the bank's performance under the Intermediate Small Bank (ISB) Test. In evaluating the bank's lending performance, we reviewed business loans, the bank's primary business line. During the evaluation period, the bank originated 569 home mortgage loans and 1,308 business loans in its combined assessment area.

The overall evaluation period ranged from April 1, 2009, the cut-off date of the prior evaluation period, to April 17, 2012. For the Lending Test portion of the evaluation, we focused on activity from April 1, 2009 to December 31, 2011. For the Community Development portion of the evaluation we, focused on activity from April 1, 2009 to April 17, 2012.

For our examination, we relied on loan origination reports generated by the bank. We tested a sample of loans to ensure that the necessary data was accurate and determined it could be used for our examination. Revenue data was not readily available for the bank's business loans, so loan size was used as a proxy. Community development loans, investments, and services submitted by bank management were verified to ensure accuracy and that they met the regulatory definition of community development.

Description of Institution

The Savannah Bank, N.A. (TSB) is an interstate bank headquartered in Savannah, Georgia. It is a wholly owned subsidiary of The Savannah Bancorp, Inc., also headquartered in Savannah. The holding company also owns Bryan Bank & Trust in Richmond Hill, Georgia. Bryan Bank & Trust is not part of this examination and its operation did not impact the ability of the subject bank to help meet the credit needs in its assessment areas during the evaluation period. As of September 30, 2009, the holding company merged another of its institutions, Harbourside Community Bank, headquartered in Beaufort, South Carolina. This merger added the Beaufort assessment area into the overall TSB assessment area that is being used for this examination.

TSB operates nine banking offices. Seven offices are located in Georgia, including three in Savannah, and one each in Garden City, Whitmarsh Island, Skidway Island, and Tybee Island. South Carolina offices are located in Hilton Head and Bluffton. No branches were opened or closed during the evaluation period. One loan production office in St. Simons Island, Georgia was closed during the evaluation period.

The bank offers a variety of deposit and loan products for individuals and businesses, as described in the CRA Public File; however, the bank's primary focus is loans for business purposes. As of December 31, 2011 the bank had total assets of \$730 million and total deposits of \$633 million. Total loans (net of unearned income and allowance), which represent 76 percent of total assets, equaled \$555 million. The loan portfolio consists of 57 percent business loans (including construction loans) and 40 percent residential mortgage loans, with the remainder consisting of consumer loans, farm loans, and other loans.

During the evaluation period the bank faced some challenges to its ability to help meet credit needs in its assessment area. The financial crisis had a negative impact on the local economies, thus negatively impacted the bank's ability to originate new loans and borrowers' ability to repay existing loans. The merger of Harbourside Community Bank into TSB required substantial management time and effort. While the bank was profitable in 2009 and 2011, it was not profitable in 2010. These factors were considered as part of our evaluation.

At its last CRA examination, dated April 27, 2009, the bank was rated satisfactory.

Selection of Areas for Full-Scope Review

The bank has two assessment areas, one in the state of Georgia, and one in the state of South Carolina. Each is generally described here. A more detailed description, including demographic information, can be found in subsequent sections of this report.

The Georgia assessment area consists of all of Chatham County, Georgia. Chatham County is part of MSA 42340 (Savannah, GA). The MSA also includes the counties of Bryan and Effingham; however, they are not part of the bank's assessment area. The South Carolina assessment area consists of all of non-MSA Beaufort County. The assessment areas meet regulatory requirements and do not arbitrarily exclude any low- or moderate-income geographies. Each assessment area received a full-scope review.

Ratings

The bank's overall rating is a blend of the state ratings. In reaching our overall conclusion, primary consideration was given to performance in the Chatham County, Georgia assessment area. The bank operated in this assessment area for the entire evaluation period. This assessment area represents 92 percent of the bank's deposits as of June 30, 2011, and approximately 97 percent of business loans evaluated at this examination.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

TSB's loan-to-deposit ratio exceeds the standard for satisfactory performance. The bank's loan-to-deposit ratio is more than reasonable given the institution's size and performance context factors.

The bank's quarterly average loan-to-deposit ratio since the last CRA examination (12 quarters beginning with the first quarter of 2009) is 90.29 percent, ranging from a high of 101.59 percent in the first quarter of 2009, to a low of 71.30 percent in the second quarter of 2010. For the same time period, the bank's quarterly average ratio exceeds the 75.48 percent quarterly ratio of its peer banks operating throughout the United States and the 67.22 percent for its peer banks operating in the state of Georgia. In addition, TSB's 90.29 percent quarterly average ratio exceeds the 83.44 percent quarterly average ratio of three similarly situated banks in its peer group operating in the Savannah area.

Lending in Assessment Area

The level of lending in the bank's combined assessment area exceeds the standard for satisfactory performance. A substantial majority of loan originations are in the bank's combined assessment area. Specifically, 95 percent of both the number and dollar volume of loans originated during the evaluation period were originated in TSB's combined assessment area, as depicted below.

Table 1 - Lending in the Combined Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000 omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	1,308	94.58	75	5.42	1,383	474,897	94.49	27,702	5.51	502,599

Source: Bank loan origination reports April 1, 2009 to December 31, 2011.

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.

State Rating

State of Georgia

CRA Rating for Georgia¹: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

Major factors supporting the state rating include:

- The bank's record of lending to businesses reflects reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The bank's community development performance demonstrates excellent responsiveness to needs in the assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN GEORGIA

TSB has designated all Chatham County as its assessment area in Georgia. The bank operates five of its seven offices in this assessment area. As of June 30, 2011, the bank's deposits in the assessment area totaled \$586 million or 92 percent of the bank's total deposits. This is the bank's most important assessment area. For the evaluation period, 1,261 business loans were originated in this assessment area, representing 96 percent of all business loans evaluated for this examination.

Within the assessment area, there are 68 geographies (census tracts) of which 13 or 19.12 percent are low-income, 20 or 29.41 percent are moderate-income, 21 or 30.88 percent are middle-income, and 13 or 19.12 percent are upper-income, according to the 2000 Census. One geography does not have an income designation. Of the 59,750 families in the assessment area, approximately 23 percent are low-income and 17 percent are moderate-income. The HUD adjusted median family income for Chatham County's MSA in 2011 was \$60,000 having increased slightly from \$59,000 in 2009.

Based on the 2000 Census, the population of Chatham County was 232,048, but 2010 population figures show an increase of about 14 percent to 265,128. Approximately 57

¹ For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

percent of the population resides in the city of Savannah, the largest city in the county.

The economy in the assessment area is reasonable. The main economic influence is derived from the service and retail sectors, but manufacturing, military facilities, and the Port of Savannah are also important to the economy. The port is the second largest on the East and Gulf Coast combined area and specializes in container shipments. Two military facilities are in the assessment area accounting for approximately 24,000 service members. The largest manufacturer is Gulfstream Aerospace with 7,300 jobs. According to 2011 data from Dunn & Bradstreet, there are 33,148 non-farm businesses in the assessment area, of which approximately 21,000 or 64 percent, are considered small businesses with gross annual revenues of \$1 million or less. Most are located in middle-income geographies.

Unemployment in Chatham County is somewhat higher than the national rate, but lower than the rate for the state of Georgia overall. According to the Bureau of Labor Statistics, the December 2011 unemployment rate was 9.0 percent compared with a statewide rate of 9.2 percent and a national rate of 8.3 percent. As of December 2010, the unemployment rate in the county was 9.2 percent compared with 10.1 percent for the state of Georgia. As of December 2009, the unemployment rate for Chatham County was 9.0 percent, while for the state of Georgia, it was 10.3 percent.

Foreclosure rates were high, particularly at the beginning of the evaluation period when Georgia was ranked seventh in the United States. Housing values have declined. According to the Census Bureau, the median value of owner-occupied housing (2006-2010) is \$177,100 but in the city of Savannah, the median value for the same time frame is \$144,900. Rental housing is in demand with a vacancy rate of only 5.9 percent in mid-2011, according to Real Data, an apartment market research firm. Accordingly, construction of apartments is increasing, but these are generally at the higher end of the market. A community contact made for this examination noted a need in the assessment area for rental units that are affordable to low- and moderate-income tenants.

There is strong banking competition in the assessment area with 21 different institutions operating 96 banking offices in the county. Based on data from the Federal Deposit Insurance Corporation, as of June 30, 2011, TSB is ranked third, with a 13.10 percent deposit market share. The market is dominated by Sun Trust and Wells Fargo Bank which combined represents a 43 percent deposit market share.

Opportunities for community development lending and investments in the Chatham County/Savannah assessment area are good. Affordable housing organizations operate in the assessment area and the Savannah Housing Authority is active with many affordable housing programs. The availability of qualified mortgage-backed securities, once a common community development investment for small-intermediate institutions, is somewhat limited due to the dramatic decline in home purchases by low- and moderate-income families. Opportunities exist to contribute to qualified non-profit organizations; however, this option is limited by the financial strength of many organizations. Low Income Housing Tax Credits (LIHTC) are available both on a state and federal level and have become more popular in recent years. Conditions and

opportunities in the assessment area were taken into consideration during this evaluation.

SCOPE OF EVALUATION IN GEORGIA

The Chatham County assessment area received a full-scope review.

We conducted a community contact meeting with a for-profit firm that designs, constructs, and manages affordable rental housing in the assessment area. The contact noted that the demand for rental housing has increased, particularly for units affordable to low- and moderate-income tenants. Rental construction is beginning to reemerge in the assessment area, but the majority is at the upper end of the market. There are currently waiting lists for affordable rental housing units in the city of Savannah.

Our examination focused on loans to businesses, the bank’s primary business line.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN GEORGIA

LENDING TEST

The bank’s performance under the lending test in Georgia is rated “Satisfactory”.

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

The bank’s record of lending to businesses of different sizes meets the standard for satisfactory performance. Our analysis reflects a reasonable penetration among businesses of different sizes, as depicted in the table below.

Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans (000’s)	Percent of Dollar Volume
\$0 - \$100,000	465	38.21	\$21,375	4.79
\$100,001 - \$250,000	337	27.69	\$58,595	13.13
\$250,001 - \$500,000	173	14.22	\$62,860	14.09
\$500,001 - \$1,000,000	138	11.34	\$98,984	22.19
Over \$1,000,000	104	8.55	\$204,291	45.79

Source: Bank report of business loan activity April 1, 2009-December 30, 2011. There were 43 loans that did not have sufficient data to include in the analysis.

TSB makes a large portion of its loans for small dollar amounts. Overall, 66 percent of loans were for \$250,000 or less, with 38 percent being for amounts of \$100,000 or less. This is a favorable indicator that the bank makes loans in amounts that typically meet the credit needs of small businesses. This performance also compares favorably with the fact that 2011 business demographic data indicates that 64 percent of non-farm businesses in the Chatham County assessment area are considered small business,

with gross annual revenues of \$1 million or less.

Geographic Distribution of Loans

The geographic distribution of loans meets the standard for satisfactory performance. Our analysis shows a reasonable dispersion among the various income geographies. As shown below, the level of lending in low-income geographies is somewhat lower than the percentage of businesses operating in those geographies. In moderate-income geographies, the percentage of the bank's lending exceeds the percentage of businesses operating in such geographies.

Our analysis is based on data from all applicable loans shown in the bank's report. Not every geography in the bank's assessment area had lending activity; however, there were no conspicuous gaps that could not be explained by performance context, including the limited number of the bank's branches and the level of competition in the 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
Loans to Businesses	6.56	3.89	19.85	26.96	45.06	36.97	28.28	32.18

Source: Bank loan origination reports April 1, 2009 to December 31, 2011; CRA Wiz 2011 business geodemographic data 2011. There were 52 loans for which complete geographic data was not available.

Responses to Complaints

No complaints were received during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in Georgia is rated "Outstanding".

Number and Amount of Community Development Loans

The bank's community development loans represent excellent responsiveness to community development needs. During the evaluation period, the bank originated a total of 88 community development loans totaling \$62.1 million, as follows:

Assessment Area	#	\$ (millions)
Chatham County Assessment Area	62	\$21.6
State-Wide with Potential to Benefit Assessment Area	10	\$38.8
Outside Assessment Area with Potential to Benefit Assessment Area	16	\$ 1.7
Totals	88	\$62.1

All community development loans helped to meet affordable housing needs, a critical need in the bank's assessment area as well as the overall state. In the Chatham County assessment area, \$16.4 million or 76 percent of all assessment area community development loans were for the construction, purchase, or refinance of rental units affordable to low- and moderate-income tenants. A community contact made for this examination noted that affordable rental housing was a particularly important need in the Chatham County assessment area. At a minimum, the loans for affordable rental housing helped to provide at least 354 such units, many of which provide housing for recipients of federal rental assistance programs. Of particular note is the bank's financing of a portion of the Sustainable Fellwood Housing Complex. Done in conjunction with the City of Savannah Housing Authority, this project is providing affordable rental housing in the downtown area.

The remaining assessment area community development loans provided financing for the construction of single-family homes affordable to low- and moderate-income individuals and families. Of these, eight loans totaling \$597 thousand were built under the City of Savannah's Dream Maker Home Buyer Assistance Program. This program provides financial assistance for affordable housing needs to qualifying low- and moderate-income purchasers.

Included in the state-wide activity are loans to a company that markets Georgia Low Income Housing Tax Credits (LIHTC). These LIHTCs are an important funding source for affordable housing and were used in the Sustainable Fellwood Housing Complex mentioned above. Other loans were made to cover operating needs for a company that primarily builds multi-family housing affordable to low- and moderate-income individuals and families throughout the state, including Chatham County.

Out of assessment area loans were made in Bryan County, which is adjacent to the bank's Chatham County assessment area and therefore easily has the potential to benefit the bank's assessment area. The loans were for the construction of single-family residential housing that is affordable to low- and moderate-income individuals and families.

Number and Amount of Qualified Investments

Community development investments represent adequate responsiveness to assessment area needs, given the bank's size, capacity to provide such investments, and other performance context factors.

During the evaluation period, the bank made 16 investments totaling \$2.5 million. Of that, two investments totaling \$1.4 million, or 56 percent of total investment dollars, are prior period investments. One prior period investment represents a \$240,000 investment consisting of a six-month Certificate of Deposit in a minority-owned financial institution that operates in the assessment area and was renewed five times during the evaluation period for a total investment amount of \$1.2 million. Remaining prior period investments represent two Low Income Housing Tax Credits (LIHTCs) that help to provide rental housing affordable to low- and moderate-income residents. Prior period investments are important because they continue to provide community development support in the bank's assessment area.

Current period investments include one investment in the amount of \$1.1 million in a Ginnie Mae (GNMA) loan pool which is collateralized by 11 mortgage loans to low- and moderate-income borrowers. Six of the mortgages, or 55 percent of the total number, amounting to \$632,000, or 57 percent of the total dollar amount of the pool, are for residents of the bank's Chatham County assessment area. Other low- and moderate-income borrowers reside throughout the state of Georgia. Other current period investments include 12 donations totaling \$12 thousand to organizations that help to provide community development services targeted to low- and moderate-income residents of the bank's assessment area, including social service and educational programs.

Extent to Which the Bank Provides Community Development Services

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

TSB provides bank products and services that are considered responsive to low- and moderate-income individuals and small businesses. For example, TSB offers a personal checking account with a \$100 minimum balance to open, no monthly maintenance fee, no required minimum balance, and unlimited checks and debit card usage. This account includes free telephone and on-line bill payment services. Likewise, TSB offers a business checking account with a \$100 minimum balance to open and no monthly maintenance fee. The first 200 items are free on this account. The fee for items in excess of 200 is \$.15 per item. All seven bank offices have onsite automated teller machines (ATMs) and drive-up facilities. Two bank offices are open on Saturday. The Garden City office is located in a moderate-income geography.

In addition, TSB participates in "Bank on Savannah", a non-profit organization established by the City of Savannah to assist "unbanked" individuals by making low-cost, starter bank accounts and financial literacy training available. Bank accounts offered to the participants are the same ones described above. For the evaluation period, TSB opened 118 "Bank on Savannah" accounts. All account holders receive a referral from the bank to receive financial education from participating non-profit organizations.

Bank personnel have engaged in community development services that are responsive

to community needs. During the evaluation period seven officers and managers served organizations that meet the definition of community development. In total, 435 hours of service were provided to nine community development organizations located in the assessment area. Specifically, bank personnel serve as treasurers and on fund-raising and budget committees, thus providing financial expertise for local organizations whose primary purpose is to provide services targeted to low- and moderate-income persons. Bank personnel have also provided financial literacy training targeted to low- and moderate-income residents of the assessment area.

Finally, the bank administers a grant from the Federal Home Loan Bank (FHLB) as part of the FHLB's Economic Development and Growth Enhancement (EDGE) initiative. Prior to the evaluation period, the bank applied for and won a grant to assist a non-profit affordable housing organization located in a low-income geography of a Targeted Income Neighborhood. During the evaluation period, management continued to monitor and report on the organization's project on behalf of the FHLB. In October 2011, TSB was approved by the FHLB to submit applications for funding under all of the FHLB's Affordable Housing Program Set-Aside products.

Responsiveness to Community Development Needs

Considering the bank's capacity and other performance context factors, TSB's community development performance demonstrates excellent responsiveness to community development needs, primarily through its community development loan and community development service activities. Community development lending in the assessment area is excellent helping to meet affordable housing needs in the assessment area, a need articulated by a community contact made for this examination. Community development investments are adequate, given performance context, and primarily help to meet affordable housing needs. Community development services are excellent and include low-cost checking account products for both individuals and businesses with a particular emphasis on attracting the unbanked population.

State Rating

State of South Carolina

CRA Rating for South Carolina²: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

Major factors supporting the state rating include:

- The bank's record of lending to businesses reflects reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The bank's community development performance demonstrates excellent responsiveness to needs in the assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SOUTH CAROLINA

The bank's assessment area in South Carolina consists of all of non-MSA Beaufort County. The bank operates two offices in the assessment area, one in Hilton Head and the other in Bluffton. As of June 30, 2011, the bank's deposits in the assessment area totaled \$54 million or approximately 8 percent of the bank's total deposits. As previously noted, this assessment area resulted from the merger of Harbourside Community Bank, which operated under a thrift charter, into TSB at the end of September 2009. Since that time, management has been working to assimilate the institution into TSB and stabilize the assets, resulting in limited new business activity.

Of the 27 geographies in Beaufort County, none are low-income and only two, or seven percent, are moderate-income. Of the remaining geographies, 9 or 33 percent are middle-income and 16 or 59 percent are upper-income. Two geographies in the most northern portions of the county are rural in nature containing a mix of farms and vacant land and are sparsely populated. Three geographies contain military facilities, including the Parris Island Marine Corps Recruit Depot, and one geography contains a 5,000 acre state park. More opportunities are available in Hilton Head, which is comprised of 13

² For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

geographies. Overall, the county offers limited opportunities for home mortgage or business lending, particularly in low- and moderate-income geographies.

The 2000 Census puts the population of Beaufort County at approximately 121 thousand but 2010 population figures show an increase of about 34 percent to 162 thousand. The assessment area is known as a second-home and retirement haven, particularly Hilton Head, and 2000 Census data indicates that approximately 25 percent of households are retired. The HUD adjusted median family income for all non-MSA counties in South Carolina in 2011 was \$47,700 having declined slightly from \$48,400 in 2009.

The economy is highly dependent on tourism, the military, and the retirement population, making the service and retail sectors very important. Real estate and real estate development were key prior to the recession, but have slowed greatly. The Census Bureau reports that in 2010 only 244 building permits were issued. According to Realty Trac, Hilton Head has had the second highest foreclosure rate in South Carolina. Unemployment in the county reached 9.3 percent in December 2009 compared with a statewide rate of 10.3 percent. By December 2011 the rate declined to 7.6 percent in the county, compared with 8.9 for the state of South Carolina.

Based on 2011 Dunn & Bradstreet data, there are 16,583 non-farm businesses in Beaufort County. Of those, 68 percent are considered small businesses, with gross annual revenues of \$1 million or less. Data indicates that many of these small businesses are heavily oriented toward small service or consulting firms, many operating out of home offices. A community contact made for this examination stated that it is extremely difficult to obtain business financing in the assessment area as local banks have tightened credit standards. Unemployed people have contacted the non-profit to assist them in starting a new business, but the organization has not been able to find a funding source.

Banking is competitive in the Beaufort County assessment area. There are 25 different institutions operating 73 banking offices in the County. According to data from the Federal Deposit Insurance Corporation, as of June 30, 2011, TSB is ranked 18th among banks with a 1.74 percent deposit market share. The market is dominated by Wells Fargo, Coastal States, and Bank of America, which combined represent a 35 percent deposit market share.

Opportunities for community development lending and investments in the Beaufort County assessment area are limited. Few affordable housing organizations operate in the assessment area and there are no small business loan pools focused on the needs in the assessment area. The availability of qualified mortgage-backed securities, once a common community development investment for small-intermediate institutions, has become very limited due to the dramatic decline in home purchases by low- and moderate-income families. Opportunities exist to contribute to qualified non-profit organizations; however, this option is limited by the financial strength of many organizations. Low Income Housing Tax Credits (LIHTC) are available and have become more popular in recent years. Conditions and opportunities in the assessment area were taken into consideration during this evaluation.

SCOPE OF EVALUATION IN SOUTH CAROLINA

The Beaufort County assessment area received a full-scope review.

We conducted a telephone community contact with a non-profit small business development organization operating in the assessment area. The contact noted that it has been very difficult for borrowers to obtain business credit because banks have tightened their credit standards. The contact noted that it is especially difficult for start-up businesses and that there were no revolving loan funds or micro-loan funds in the assessment area.

Our examination focused on loans to businesses, the bank's primary business line. Primary consideration was given to the borrower distribution portion of the lending test because of the limited number of low- and moderate-income geographies within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTH CAROLINA

LENDING TEST

The bank's performance under the lending test in South Carolina is rated "Satisfactory".

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

The bank's record of lending to businesses of different sizes meets the standard for satisfactory performance, given the time the bank has been operating in the assessment area and other performance context factors previously discussed. Our analysis of 43 loans originated during the evaluation period and for which complete analytic data was available reflects a reasonable penetration among business of different sizes, as depicted in the table below.

Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans (000's)	Percent of Dollar Volume
\$0 - \$100,000	14	32.56	\$756	4.14
\$100,001 - \$250,000	5	11.63	\$769	4.21
\$250,001 - \$500,000	13	30.23	\$4,395	24.06
\$500,001 - \$1,000,000	5	11.63	\$3,230	17.68
Over \$1,000,000	6	13.95	\$9,115	49.90

Source: Bank report of business loans October 1, 2009 to December 31, 2011.

TSB makes a good portion of its loans for small dollar amounts. Overall, 45 percent of loans were for \$250,000 or less, with 33 percent being for amounts of \$100,000 or less.

This is a favorable indicator that the bank makes loans in amounts that typically meet the credit needs of small businesses. This performance also compares somewhat favorably with the fact that 2011 business demographic data indicates that 68 percent of non-farm businesses in the Beaufort County assessment area are considered small business, with gross annual revenues of \$1 million or less.

Geographic Distribution of Loans

The geographic distribution of loans meets the standard for satisfactory performance, given performance context. Our analysis shows a reasonable dispersion among the various income geographies, given performance context, particularly related to the level of opportunities.

As shown below, there are no low-income geographies in the assessment area. In moderate-income geographies there are very limited opportunities for lending. There are only two moderate-income geographies in the assessment area and only 605 businesses are located there, according to 2011 business demographic data. Additionally, 25 different financial institutions are competing to lend to these businesses.

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
Loans to Businesses	0.00	0.00	3.65	0.00	26.61	4.65	69.74	95.35

Source: Bank loan origination reports October 1, 2009 to December 31, 2011; CRA Wiz 2011 business demographic data.

Our analysis is based on data from all applicable loans shown in the bank’s loan report. Not every geography in the bank’s assessment area had lending activity; however, there were no conspicuous gaps that could not be explained by performance context, including the limited number of the bank’s branches and the level of competition in the assessment area.

Responses to Complaints

No complaints were received during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test in South Carolina is rated “Outstanding”.

Number and Amount of Community Development Loans

TSB's community development loan performance demonstrates excellent responsiveness to community needs, given performance context and the limited opportunities in the assessment area.

During the evaluation period, two community development loans totaling \$947 thousand were originated to help meet affordable housing needs in the bank's assessment area. TSB participated in a loan in 2010 in the amount of \$509 thousand and renewed the same loan in 2011 in the amount of \$465 thousand. The loan was to finance the renovation of a multi-family apartment complex into a 1-4 single-family condominium complex for individual unit purchases that are affordable to low- and moderate-income individuals and families. The borrower works with the Beaufort County Affordable Housing Task Force to market and sell the units to qualified buyers.

In addition, TSB originated two community development loans located in a county near to the bank's assessment area, along the coast of South Carolina. This is considered a Southeast Region community development loan. Consideration was given to this loan because of the bank's adequate performance within the assessment area. The \$2.1 million loan was to purchase two multi-family apartment complexes located in Summerville, SC, Dorchester County, which is within the Charleston MSA. The loan was renewed in 2011 for \$2.2 million. Both apartment complexes provide affordable housing to low-and moderate-income individuals. The majority of residents in one of the complexes receive HUD subsidized rental assistance.

Number and Amount of Qualified Investments

TSB's has an excellent level of qualified investments given the bank's size, capacity, and the level of opportunities in the assessment area.

At the time of the merger and during the evaluation period, TSB acquired a qualified state-wide investment totaling \$1.3 million consisting of a Low Income Housing Tax Credit (LIHTC) under the Community Affordable Housing Equity Corporation (CAHEC) - South Carolina Preservation Fund. The housing provided through the LIHTC provides affordable rental housing to low- and moderate-income residents in South Carolina and has the potential to positively impact the bank's assessment area.

Also, qualified investments in the assessment area included six monetary donations totaling \$1,700 to four community development organizations that provide for social services to low- or moderate-income individuals.

Extent to Which the Bank Provides Community Development Services

The extent to which the bank provides banking services and community development services is excellent given the size of the bank and other performance context factors.

TSB provides bank products and services that are considered responsive to low- and moderate-income individuals and small businesses. For example, TSB offers a personal checking account with a \$100 minimum balance to open, no monthly maintenance fees, no required minimum balance, and unlimited checks and debit card usage. This account includes free telephone and on-line bill payment services. The two offices also have onsite automated teller machines (ATMs) and drive-up facilities. In addition, TSB offers a business checking account with a \$100 minimum balance to open and no monthly maintenance fee. The first 200 items are free on this account. The fee for items in excess of 200 is \$.15 per item.

Bank personnel have also engaged in community development services that are responsive to community needs. For the evaluation period, TSB has served organizations that meet the definition of community development through the involvement of branch managers and staff. Bank personnel have served a total of 230 hours for five community development organizations located in the assessment area by providing financial expertise relative to affordable housing initiatives or funding disbursements to low- and moderate-income persons served by the agencies.

Responsiveness to Community Development Needs

TSB's community development performance demonstrates excellent responsiveness to the needs of the assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity, the need and availability of community development opportunities, and other performance context factors. Community development activities primarily helped to serve affordable housing needs both in the bank's assessment area as well as state-wide and regionally.

Appendix A: Scope of Examination

Time Period Reviewed	Lending Test: (04/01/09 to 12/31/11) Community Development Test: (04/01/09 to 04/07/11)	
Financial Institution	Products Reviewed	
The Bank of Savannah, N.A. (TSB) Savannah, Georgia	Loans to businesses. Community development loans, investments, and services.	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Georgia Chatham County AA	Full-Scope	
State of South Carolina Beaufort County AA	Full-Scope	

Appendix B: Summary of State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
The Bank of Savannah	Satisfactory	Outstanding	Satisfactory
State Ratings:			
Georgia	Satisfactory	Outstanding	Satisfactory
South Carolina	Satisfactory	Outstanding	Satisfactory