

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

January 11, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Savannah Bank, N. A.
Charter Number 22152**

**25 Bull Street
Savannah, Georgia 31402**

Office of the Comptroller of the Currency

**Southeastern District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Savannah Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 11, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY.**

The following major factors provide support for The Savannah Bank, N.A. rating:

- < The loan-to-deposit ratio is good given the bank's size, financial condition, area competition and the credit needs of the assessment area.
- < A majority of loans and other lending related activities are in the bank's assessment area.
- < The distribution of loans reflects reasonable dispersion among individuals of different income levels and businesses of different sizes throughout all sections of the assessment area.
- < There have been no adverse complaints against the bank for failure to adequately meet the credit needs of the local community.

The following table indicates the performance level of The Savannah Bank, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE SAVANNAH BANK, N.A.</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION

The Savannah Bank, N.A. (TSB) is a nationally-chartered financial institution located in Savannah, Georgia. The bank is 100% owned by The Savannah Bancorp, Inc., a two bank holding company. As of December 31, 1998, TSB had total assets of \$196.7 million and operated from 5 locations throughout the Chatham County, Georgia primary service area. Net loans represented 70% of total deposits. The loan portfolio mix is as follows: commercial (41%), real estate (18%), and consumer (41%).

TSB offers a wide variety of consumer, business and real estate lending products. Additionally, a wide array of deposit services and products such as Telebanking, and trust services, are offered to provide the community with full service banking. Banking hours are tailored to meet the specific needs of the various locations. Currently, there are no legal impediments that would prevent the bank from meeting any credit or banking service need of the community.

DESCRIPTION OF CHATHAM COUNTY, GEORGIA

TSB's assessment area consists of Chatham County, Georgia. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Chatham County is part of the Savannah Metropolitan Statistical Area (MSA), which includes neighboring Bryan and Effingham counties. Based on the 1990 Census Bureau information, Chatham County has 71 census tracts including 12 low-income, 18 moderate-income, 21 middle-income, 16 upper-income, and 4 tracts listed as NA.

The city of Savannah is the largest incorporated area within the MSA. Manufacturing and transportation are the two largest sectors that drive the local economy. The two largest manufacturing concerns in the area are Gulf Stream Aerospace and Union Camp Corporation. However, because of Savannah's designation as an Urban National Historic Landmark District, tourism is the fastest growing sector of the economy. Unemployment in the assessment area was 4.3% for 1997.

The 1990 Census median family income was \$31,881 and the county population was 216,935. Updated 1998 median family income information obtained from the Department of Housing and Urban Development estimates the median family income for Chatham County, Georgia at \$40,200. Statistical data obtained from The Savannah Area Chamber of Commerce for 1997 estimates the population of the County at 228,100.

TSB has strong local competition from branches of 4 regional/multinational banks, and numerous community banks, credit unions and other financial service providers. During an interview with the Director of Research & Established Business Initiative for the Savannah Economic and Development Authority, it was noted that the involvement of financial institutions is positively perceived within the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The loan-to-deposit ratio is good given the bank's size, financial condition, competition and credit needs of the assessment area. The average net loan-to-deposit ratio using quarter-end information from June 30, 1996 to September 30, 1998 is 73%. This ratio compares favorably with other banks of similar size on a national level. These institutions had an average net loan-to-deposit ratio of 71% during the same period. Despite stiff pricing competition from branches of regional/multinational banks, management strives to meet all reasonable credit needs of the community within the safe and sound operation of the bank.

Data required under the Home Mortgage Disclosure Act (HMDA) was the primary information used to assess TSB's performance in the areas of lending in the assessment area, lending to borrowers of different incomes and businesses of different sizes, and the geographic distribution of loans. Based on 124 HMDA loans originated through November 30, 1998, 85% were made to borrowers who reside in the assessment area. Subsequent samples of 18 installment and 10 business loans disclosed that 89% and 100%, respectively, were extended to residents and businesses in the assessment area.

TSB's record of lending to borrowers of different income levels and businesses of different sizes is satisfactory. The following charts illustrate the bank's lending to borrowers of different income levels based on HMDA data and a Fair Lending sample of consumer loans reviewed during the most recent compliance examination:

HOME MORTGAGE DISCLOSURE ACT DATA			
INCOME LEVEL	# OF LOANS	% OF TOTAL	% OF FAMILIES
LOW	1	1	23
MODERATE	8	7	16
MIDDLE	20	19	21
UPPER	77	73	40

FAIR LENDING SAMPLE - CONSUMER LOANS			
INCOME LEVEL	# OF LOANS	% OF TOTAL	% OF FAMILIES
LOW	5	28	23
MODERATE	2	11	16
MIDDLE	3	17	21
UPPER	8	44	40

The chart for HMDA-related loans reflects a low penetration of loans to low- and moderate-income

residents. However, the fair lending sample reflects a good penetration among all income levels based on the percentage of the various income levels of families in the assessment area. In addition, the bank referred 306 HMDA related applications to Crescent Mortgage Company for 1998. The applications were for long term mortgages and were received from borrowers of different income levels. Approximately 74% of the applications referred resulted in loans being extended. To enhance their presence in the low- and moderate- income community, the bank participates in the Community Housing Service Agency and the Neighborhood Housing Services of Savannah, Inc. These organizations provide affordable housing for the Savannah area.

Management's focus is on small and medium sized businesses. A sample of ten business loans reflects the bank's commitment to lend to businesses of different sizes. Loans were granted to businesses with total assets ranging from \$80 thousand to \$6.2 million and revenues ranging from \$32 thousand to \$20 million. Additionally, the bank's June 30, 1998 Call Report reflects over \$47 million in loans outstanding in amounts of \$1 million and under to small businesses.

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. A review of HMDA data disclosed lending in all census tracts. Of the 106 loans made within the assessment area, 4 (4%) were made in low-income census tracts, 12 (11%) were made within moderate-income tracts, 31 (29%) were made in middle-income tracts, and 59 (56%) were made in upper-income tracts. TSB's opportunity to substantially improve lending in low-income tracts is limited by the number of housing units in these tracts. According to 1990 Census Bureau information, housing units in low-income tracts accounted for only 10% of all housing units in Chatham County. Lending in moderate-income tracts was favorable when compared to Census Bureau information which showed 16% of total families residing in all tracts.

The bank has satisfactory policies, procedures, training programs, and other practices in place to prevent discriminatory or other illegal credit practices. A review of TSB's consumer lending practices was performed to determine if any discriminatory practices exist based on the gender of the applicant. No violations of the substantive provisions of the antidiscrimination legislation were identified. We performed a comparative analysis of denied females versus approved males for automobile loans. Analysis of these automobile loans did not disclose any evidence of discrimination.