



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

September 28, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Savannah Bank, N.A.
Charter Number: 12810
P. O. Box 278
1565 Main Street
Savannah, New York 13146**

**Comptroller of the Currency
Syracuse Field Office
231 Salina Meadows Parkway, Suite 105
Syracuse, New York 13212**

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 **Savannah Bank, N.A. (SBNA)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of September 28, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated satisfactory.

- **SBNA's** average loan to deposit ratio at 44% does not meet the standard for satisfactory performance. However, management continues to place emphasis on improving the ratio that has shown a steady increase over the past three years.
- A majority of all loans originated by management are within the bank's assessment area.
- The distribution of loans to borrowers of different income levels and businesses of different sizes is adequate.
- The bank originates loans throughout its assessment area including the moderate-income geographies.

DESCRIPTION OF INSTITUTION

SBNA's main office is located in Savannah, New York, in rural Wayne County approximately 18 miles northwest of the City of Auburn, New York. SBNA is the smallest bank of any type based in the area. As of September 30, 1999, total assets were \$48 million, total loans \$22 million and total deposits \$42 million. The loan portfolio is retail oriented with real estate loans (residential and commercial) representing 50% of the total loan portfolio, while commercial loans (mainly small business and individuals) represent 41% and consumer credit 9%. SBNA's primary business focus is commercial and consumer lending. There is no direct competition in Savannah, New York. Competition for the branch offices in Fair Haven and Waterloo, New York is from other community banks and their branch offices, branch offices of larger regional banks, credit unions, and representatives of mortgage companies. The bank is well positioned to help meet the credit needs of its community, and has no legal impediments that would hinder its ability to help meet the credit needs of its assessment area (AA).

SBNA provides a full range of deposit and loan services at its three offices. The main banking office and the Waterloo office have extended hours on Thursday, and all offices have extended hours on Friday. The bank has no Automated Teller Machines (ATM) or drive-up facilities at any branches.

We last evaluated SBNA's performance under the CRA as of October 24, 1996. Our evaluation period for this public evaluation spans from October 24, 1996 through September 28, 1999.

DESCRIPTION OF ASSESSMENT AREA (AA)

SBNA's has three, contiguous AA's consisting of twenty-four geographies. The first AA consists of twelve geographies in a very small portion of the Syracuse Metropolitan Statistical Area (MSA 8160). The second AA consists of four geographies in a very small portion of the Rochester MSA (MSA 6840). The third AA consists of eight geographies representing all of Seneca County which is not part of an MSA.

The combined AA consists of one high- income, fourteen middle-income and seven moderate-income geographies. One geography is listed as income not applicable (NA) consists of a New York State prison. There are no low-income geographies in the AA. The AA complies with the regulation and does not arbitrarily exclude low or moderate- income geographies.

The combined AA has a population of approximately 91,000 residents. The distribution of the families in the AA is: 24% low income; 20% moderate income; 26% middle income; and 30% upper income. The 1997, 1998 and 1999 median family incomes for MSA 8160 were \$43,600, \$44,500, and \$45,400, respectively. The 1997, 1998 and 1999 median family incomes for MSA 6840 were \$47,200, \$48,800, and \$50,600, respectively. The median family income in New York State for non-MSA's was \$37,100 in 1997; \$37,700 in 1998, and \$39,300 in 1999. The median housing value in the AA is \$54,592. The median age of housing is 43 years old. Occupied housing units represent 89%

of all housing with 61% owner-occupied and 28% rental units. Housing is predominately (80%) one to four family residences.

Economic conditions in MSA 8160 are stable with growth primarily in the retail sector of Auburn, New York. Conditions in MSA 6840 are stable but stagnant. The non-MSA area continues to experience stable conditions with slow growth in the retail sector. The housing market remains depressed in the entire AA. Employment is primarily in the service, manufacturing and tourism sectors, and unemployment slightly exceeds 5%. Major employers are Clyde-Savannah school district, a New York State prison facility, Gould Pumps, Cayuga County Community College, and local elementary and high schools.

In December 1998, management added eleven geographies in Auburn, New York due to increased loan demand from the area. Sixty-four percent of the AA population resides in MSA 8160. Management recently received approval from the Office of the Comptroller of the Currency to open a proposed branch office in this area.

A local government official contacted during the evaluation stated that area banks have in general been helpful in meeting community credit needs. The contact perceived that credit needs for the AA would include real estate loans with lower down payments and extended terms for home purchase/improvement loans, consumer loans, and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

SBNA's loan-to-deposit ratio does not meet the standard. Since the last CRA evaluation, SBNA's quarterly average loan-to-deposit ratio is 44%. SBNA's quarterly average loan-to-deposit ratio is low compared to similarly situated institutions which had quarterly average loan-to-deposit ratios from 43% to 74%. SBNA's loan-to-deposit ratio has historically been very low. However, since early 1995, management has introduced competitive loan products that are actively promoted by the lending officers. The bank's loan to deposit ratio on September 30, 1999 was 52% compared to 36% on September 30, 1996.

SBNA continues its strategy of moderate, steady loan growth through competitive and attractive loan products, advertising, loan sales, community contacts and direct loan solicitations

Lending in the Assessment Area

Lending in the AA meets the standard. Based on our review of the Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) and bank management reports, we determined 82% of the number and 60% of the amount of loans originated are in the AA.

Loan Originations in the AA						
	<i>Overall</i>					
	Originations in AA				Total Originations	
	#	%	\$ (000's)	%	#	\$ (000's)
HMDA	104	82%	1,179	81%	127	1,460
Commercial	238	83%	10,548	58%	288	18,230
Totals	342	82%	11,727	60%	415	19,690

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Lending to borrowers of different incomes and to businesses of different sizes meets the standard. Home mortgage lending to borrowers of different incomes is very good particularly to low- and moderate-income borrowers.

Borrower Distribution - HMDA Loans					
	<i>Overall</i>				
	#	%	\$ (000's)	%	Income Level of Families in AA
Low	24	23%	170	14%	24%
Moderate	31	30%	270	23%	20%
Middle	32	31%	361	31%	26%
Upper	17	16%	378	32%	30%
N/A	0	0%	0	0%	0%
Total	104	100%	1,179	100%	100%

SBNA also lends to businesses of various sizes. Our review indicates 83% of commercial loans originated were to small businesses and farms with revenues of \$1 million or less. In comparison, demographic information from Dun & Bradstreet indicates 92% of the businesses in the area have revenues of \$1 million or less.

Geographic Distribution of Loans

The geographic distribution of loans exceeds the standard. The geographic distribution of HMDA loans compares favorably to the distribution of owner-occupied housing particularly in moderate-income geographies.

Geographic Distribution - HMDA Loans					
	<i>Overall</i>				
	#	%	\$ (000's)	%	Owner-occupied Housing
Moderate	60	58%	515	44%	29%
Middle	43	41%	639	54%	68%
Upper	1	1%	25	2%	3%
Total	104	100%	1,179	100%	100%

The geographic distribution of business loans meets the standard.

Geographic Distribution - Commercial Loans *					
	<i>Overall</i>				
	#	%	\$ (000's)	%	Distribution of Business
Moderate	27	45%	790	47%	31%
Middle	32	53%	877	52%	65%
Upper	1	2%	20	1%	4%
N/A	0	0	0	0	0
Total	60	100%	1,687	100%	100%

*Based on sample of loans originated within the AA.

Response to Complaints

SBNA has not received any complaints regarding its CRA performance during the evaluation period.

Fair Lending Review

We did not identify any violations of the substantive provisions of anti-discrimination or fair lending laws and regulations during the concurrent Fair Lending Examination. The scope of our Fair Lending Examination focused on home improvement loans originated between January 1, 1998 and December 31, 1998. We compared loan terms on these loans to determine if any of the terms were unfavorable to those in a prohibited basis group.

METROPOLITAN STATISTICAL AREAS

Conclusions with respect to performance tests in MSA 6840

Performance in MSA 6840 is consistent with the bank's overall performance. SBNA's main office is located in this MSA. This location represents 47% of total deposits and 52% of total loans. Activity in this MSA represents the majority of SBNA's performance. There are four geographies of this MSA designated as part of the bank's AA, all of which are moderate-income geographies. HMDA-LAR information indicates 54% of HMDA-LAR reportable loans were originated in this MSA. Borrower distribution in MSA 6840 indicated very good distribution to all income levels including low- and moderate-income borrowers.

Borrower Distribution - HMDA Loans					
	<i>MSA 6840</i>				
	#	%	\$ (000's)	%	Income Level of Families in AA
Low	16	29%	90	18%	29%
Moderate	19	34%	154	31%	27%
Middle	14	25%	111	22%	25%
Upper	7	12%	149	29%	19%
N/A	0	0%	0	0%	0%

Total	56	100%	504	100%	100%
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Forty percent of small business and farm loans were originated in this MSA during the evaluation period. In this MSA, 92% of business loans were to businesses with revenues of \$1 million or less.

There are only moderate-income geographies in the AA. Analysis of geographic distribution would not be meaningful.

Conclusions with respect to performance tests in MSA 8160

Performance in MSA 8160 is consistent with the bank's overall performance. SBNA has one branch office in this MSA. There are twelve geographies in this MSA designated as a part of the bank's AA. This location represents 29% of total deposits and 36% of total loans. Until recently, banking activity has been limited to the area surrounding the branch office. The area historically has a seasonal increase of residents and tourists, and therefore, has represented the smallest portion of banking activity. In December 1998, management added eleven geographies in this MSA to the AA. The geographies include the City of Auburn, New York, and adjacent towns and villages. Management has assigned a lender specifically to develop the new market. January 1, 1997, through September 30, 1999, HMDA-LAR information indicates 34% of HMDA-LAR reportable loans were originated in this MSA. Borrower distribution in MSA 8160 indicates very good distribution of HMDA loans to all income levels including low and moderate income borrowers.

Borrower Distribution - HMDA Loans					
	<i>MSA 8160</i>				
	#	%	\$ (000's)	%	Income Level of Families in AA
Low	7	20%	61	12%	26%
Moderate	7	20%	73	15%	21%
Middle	14	40%	180	37%	26%
Upper	7	20%	176	36%	27%
N/A	0	0%	0	0%	0%
Total	35	100%	490	100%	100%

Twenty-four percent of small business and farm loans were originated in this MSA during the evaluation period. In this MSA, 91% of business loans were to businesses with revenues of \$1 million or less.

The geographic distribution of HMDA loans indicates very good penetration of all geographies including moderate-income geographies.

Geographic Distribution - HMDA Loans					
	<i>MSA 8160</i>				
	#	%	\$ (000's)	%	Owner-occupied Housing
Moderate	18	42%	209	44%	21%
Middle	25	58%	264	56%	79%
Total	34	100%	473	100%	100%

The geographic distribution of business loans meets the standard.

Geographic Distribution - Commercial Loans *					
	<i>MSA 8160</i>				
	#	%	\$ (000's)	%	Distribution of Businesses
Moderate	7	35%	221	42%	29%
Middle	13	65%	301	58%	71%
Total	20	100%	522	100%	100%

* Based on sample of loans originated within the AA.