



PUBLIC DISCLOSURE

June 17, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sage Capital Bank, National Association
Charter Number 18303

1606 N. Sarah Dewitt Drive Gonzales, TX 78629

Office of the Comptroller of the Currency

San Antonio South Field Office
10001 Reunion Place, Suite 250
San Antonio, Texas 78216

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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Summarize the major factors supporting the institution's rating.

- The bank's loan-to-deposit (LTD) ratio is satisfactory. The LTD ratio is reasonable in relation to peer institutions, averaging 61% since the prior evaluation.
- Lending in the Assessment Area (AA) is satisfactory, as a majority of the bank's loans are inside the AAs.
- The bank's loan portfolio reflects a reasonable penetration of residential real estate loans among families of various income levels and loans to businesses/farms of different sizes.
- The geographic distribution of the bank's residential real estate loans and business/farm loans within the Hays County/Caldwell County reflects a reasonable dispersion. A geographic analysis of residential and business/agricultural loans in the Gonzales County/Shiner AA did not provide a meaningful analysis, as there are no low-income tracts and only one moderate-income census tract (CT).
- The bank's community development (CD) performance is satisfactory as it demonstrates adequate responsiveness to CD needs in its AAs, through CD loans, investments, and services.

Scope of Examination

Sage Capital Bank (Sage) was evaluated using Intermediate Small Bank (ISB) examination procedures, which include a Lending test and a CD test. The Lending test evaluates the bank's record of meeting the credit needs of its AA through lending activities. The CD test evaluates the bank's responsiveness to the CD needs in its AAs through CD lending, qualified investments, and CD services. We conducted full-scope reviews of the Gonzales County/Shiner AA and the Hays County/Caldwell County AA. We conducted a limited-scope review of the Comal County (New Braunfels) AA.

Our examination focused on the bank's primary loan products, which were business/farm loans and residential real estate loans originated or purchased during the evaluation period. More weight was given to the business/farm loans in our analysis of CRA performance, as these are the predominant types of loans. The review included all residential real estate loans submitted on the Home Mortgage Disclosure Act – Loan/Application Register (HMDA-LAR) in the years 2012 and 2013. We performed a data integrity review of the HMDA-LAR data prior to the examination to confirm the reliability of the information. We selected a sample of 20 business/farm loans originated

or purchased during fiscal years 2012 and 2013. We used the original sample of all residential and commercial/agricultural loans to determine lending inside the AAs. We used residential real estate loans and business/farm loans made in the AAs to determine borrower distribution and geographic distribution. We sampled 20 business/farm loans per full-scope AA review (originated or purchased in the AA) for a total of 40 business/farm loans originated or purchased during fiscal years 2012 and 2013. We analyzed the loan data against the 2010 U.S Census Data. The evaluation period for the CD test covers the period from January 1, 2012, to June 17, 2014. CD loans, investments, and services submitted by management were verified to ensure they met the regulatory definition for CD.

Description of Institution

Sage is a full-service community bank headquartered in Gonzales, Texas chartered in 1984 (originally as American National Bank). Sage is a wholly owned subsidiary of ANB Bancshares, a one-bank holding company. As of March 31, 2014, the bank had total assets of \$341 million and Tier 1 leverage capital of \$28 million, representing 8.6 percent of total assets.

The bank has six offices in Texas including the main office. The main office is located in Gonzales with the remaining offices located in Lockhart, Luling, San Marcos, New Braunfels, and Shiner. The New Braunfels and Shiner branches were added since the prior CRA examination, opening in December 2009 and May 2010, respectively. All six locations have a walk-in teller lobby, a drive-up motor bank, and an automated teller machine (ATM).

The bank offers a full range of commercial and consumer banking products and services. The bank offers its customers Online Banking through www.sagecapitalbank.com, which allows customers to obtain real-time account balances, transaction history, transfer funds between accounts, make loan payments, pay bills, and view account statements. Online Banking also offers the use of personal financial management tools for managing your finances. Customers can also reorder checks online. Customers have the option of mobile banking via text banking or with a mobile web browser. Text banking provides real time balance and transaction information. The Mobile web browser allows customers to view account information, transfer money between accounts, pay loans, and pay bills.

As of March 31, 2014, Sage reported total loans of \$164 million, or 48 percent of total assets. The bank's primary focus is small to medium size businesses and consumers. The bank provides a wide variety of lending products, but its primary loans are for commercial real estate, farmland, commercial and residential real estate. The table below details the bank's loan portfolio composition.

Loan Portfolio Composition		
Loan Type	DOLLAR AMOUNT \$ (000)	% of TOTAL LOANS
Commercial Real Estate	\$56,384	34.30
Farmland	\$37,874	23.04
Commercial/Agricultural	\$30,996	18.85
Residential Real Estate	\$26,536	16.14
Construction & Land Development	\$8,786	5.34
Consumer	\$3,595	2.19
Other	\$227	0.14
Total	\$164,398	100

Source: Consolidated Reports of Condition as of March 31, 2014.

The bank was rated “Satisfactory” at the prior CRA examination dated February 17, 2009. No legal impediments or other factors hinder the ability of Sage to meet the credit needs of its AAs.

Description of Assessment Area(S)

Gonzales County/Shiner Assessment Area

This AA area is comprised of five contiguous CTs out of the six CTs in Gonzales County and one adjacent CT # 4 in Lavaca County (Shiner). Sage has two branches in this AA. The AA consists of one moderate-income, three middle-income, and two upper-income geographies. There are no low-income geographies in this AA. This AA is not part of Metropolitan Statistical Area (MSA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) areas. Demographic information from the 2010 Census is reflected in the following charts.

Gonzales County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (CTs/BNAs)	5	0	20	60	20	0
Population by Geography	19,807	0	36.36	39.04	24.61	0
Owner-Occupied Housing by Geography	4,815	0	33.13	41.35	25.52	0
Business by Geography	1,327	0	25.70	46.42	27.88	0
Farms by Geography	217	0	17.97	51.15	30.88	0
Family Distribution by Income Level	5,088	23.49	19.38	18.71	38.42	0
Household Distribution by Income Level	7,036	0	38.26	38.05	23.69	0
Median Family Income (MFI)		\$46,322	Median Housing Value			\$78,466
HUD Adjusted MFI for 2012		\$49,300	Unemployment Rate			5.3%
HUD Adjusted MFI for 2013		\$50,500				
Households Below Poverty Level		19.98%				

(*) The N/A category consists of geographies not assigned an income classification.

Source: 2010 US Census and 2013 HUD updated MFI

Lavaca County (Shiner – CT # 4) AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (CTs/BNAs)	1	0	0	0	100	0
Population by Geography	3,586	0	0	0	100	0
Owner-Occupied Housing by Geography	1,295	0	0	0	100	0
Business by Geography	338	0	0	0	100	0
Farms by Geography	48	0	0	0	100	0
Family Distribution by Income Level	1,132	8.66	21.64	18.73	50.97	0
Household Distribution by Income Level	1,533	14.29	17.48	17.16	51.08	0
Median Family Income (MFI)		\$59,423	Median Housing Value			\$84,400
HUD Adjusted MFI for 2012		\$49,300	Unemployment Rate			2.82%
HUD Adjusted MFI for 2013		\$50,500				
Households Below Poverty Level		19.98%				

(*) The N/A category consists of geographies not assigned an income classification.
 Source: 2010 US Census and 2013 HUD updated MFI

Gonzales County is located approximately 80 miles east of San Antonio, Texas. Shiner is about 18 miles east of Gonzales, Texas. Economic conditions are good with the area benefiting from oil and gas related activity associated with the Eagle-Ford Shale play. The most significant industries in the AA are agriculture, retail, construction, manufacturing, metal products, public administration and oil/gas extraction.

Competing banks in Gonzales County and in Shiner include other locally owned community banks, a branch of a regional bank, and a branch of a large nationwide bank. Sage has the largest deposit market share in Gonzales County at 35 percent. Sage has less than four percent of the deposit market share in Shiner.

This office conducted a community contact with a government office in Gonzales County. The contact indicated there is a need for affordable housing. The contact also related there is a general level of involvement in the community by financial institutions.

Hays County/Caldwell County Assessment Area

The Hays and Caldwell Counties AA is comprised of the entirety of Caldwell County (8 CTs) and the eastern portion of Hays County (18 CTs). This AA is part of the Austin-Round Rock MSA. Sage has three branches in this AA. The AA includes a total of 26 CTs. One CT is designated low-income, 12 are moderate-income, 10 are middle-income, and three are upper-income. The AA meets the requirements of the regulation and does not arbitrarily exclude LMI areas. Demographic information from the 2010 Census is reflected in the following charts.

Hays County / Caldwell County - AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (CTs/BNAs)	26	3.85	46.15	38.46	11.54	0
Population by Geography	159,561	3.28	41.28	39.71	15.73	0
Owner-Occupied Housing by Geography	30,456	0.74	31.07	48.58	19.61	0
Business by Geography	11,060	2.95	40.21	36.56	20.29	0
Farms by Geography	425	1.18	39.06	42.59	17.18	0
Family Distribution by Income Level	31,186	25.96	18.52	22.37	33.15	0
Household Distribution by Income Level	48,840	5.26	38.54	37.82	18.38	0
Median Family Income (MFI)		\$66,492	Median Housing Value			\$127,622
HUD Adjusted MFI for 2012		\$75,900	Unemployment Rate			4.81%
HUD Adjusted MFI for 2013		\$73,200				
Households Below Poverty Level		19.34%				

(*) The N/A category consists of geographies not assigned an income classification.
 Source: 2010 US Census and 2013 HUD updated MFI

San Marcos, the largest city in Hays County, is located approximately 50 miles northeast of San Antonio, Texas. Caldwell County is located approximately 70 miles northeast of San Antonio, Texas. Economic conditions are currently good. The largest employers in Hays County include Texas State University, Prime Outlets San Marcos, Tanger Factory Outlet Center, San Marcos ISD, Hays County, Hunter Industries, Central Texas Medical Center, and HEB Distribution Center. The most common industries in Caldwell County consist of construction, education, public administration, and computer/electronic products.

Sage ranks 6th in deposit market share (6.83%) out of 22 banks in the combined Hays and Caldwell County AA. Competition is strong with several community banks and branches of several regional and nationwide banks. This office conducted a community contact with a government office in Luling, Texas. The contact indicated that there is a very strong need for affordable housing in Luling. The contact related that the financial institutions are involved in the community and have a good reputation of working with the community.

Comal County AA

The Comal County AA is comprised of 18 contiguous CTs out of the 24 CTs that make up Comal County. The bank has a branch located in New Braunfels, the largest city in the county. The AA consists of three moderate-income tracts, eight middle-income tracts, and seven upper-income tracts. The six CTs excluded from the AA are all upper-income CTs. There are no low-income CTs in the County. The AA meets the requirements of the regulation and does not arbitrarily exclude LMI areas.

Comal County - AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (CTs/BNAs)	18	0	16.67	44.44	38.89	0
Population by Geography	76,323	0	16.38	42.63	40.99	0
Owner-Occupied Housing by Geography	28,213	0	12.80	43.10	44.10	0
Business by Geography	8,127	0	12.45	43.46	44.09	0
Farms by Geography	244	0	8.20	37.70	54.10	0
Family Distribution by Income Level	20,279	16.92	15.17	19.74	48.17	0
Household Distribution by Income Level	28,213	0	15.17	44.24	40.59	0
Median Family Income (MFI)		\$68,358	Median Housing Value			\$150,940
HUD Adjusted MFI for 2012		\$60,800	Unemployment Rate			3.57%
HUD Adjusted MFI for 2013		\$61,300				
Households Below Poverty Level		10.36%				

(*) The N/A category consists of geographies not assigned an income classification.
 Source: 2010 US Census and 2013 HUD updated MFI

Comal County is part of the San Antonio – New Braunfels MSA. Major employers in Comal County include Comal ISD, Schlitterbahn Waterpark, Wal-Mart Distribution Center, New Braunfels ISD, and Christus Santa Rosa-New Braunfels. Sage has less than a one percent deposit market share in Comal County. Competition is strong with 15 banks in the county including branches of nationwide banks, regional banks, and independent community banks.

Conclusions with Respect to Performance Tests

LENDING TEST

Loan-to-Deposit Ratio

Sage Capital Bank’s LTD ratio is reasonable given the bank’s size, financial condition, economic condition, and AA credit needs. We reviewed the quarterly average LTD ratios for the quarters beginning March 31, 2009 through March 31, 2014. The bank’s ratio averaged 61.23 percent over the last 21 quarters, with a high of 69 percent and a low of 52 percent. The bank’s average LTD compares favorably among similarly situated banks.

Institution	Total Assets (000's) as of March 31, 2014	Avg. Quarterly LTD Ratio 3/31/2009 – 3/31/2014
Lone Star Bank, S.S.B. Moulton, TX	305,256	100.87
Pioneer Bank, S.S.B. Dripping Springs, TX	266,899	78.83
First Lockhart National Bank Lockhart, TX	189,165	75.77
Sage Capital Bank Gonzales, TX	\$341,333	61.23
Ozona National Bank Ozona, TX	223,706	59.10
First National Bank of Shiner Shiner, TX	432,142	27.06
Peoples State Bank Hallettsville, TX	252,053	22.55

Lending in Assessment Area

A majority of the residential and commercial loans originated during the evaluation period were within the bank's AA. Sage meets the standard for satisfactory performance for lending in the AA. An analysis of the HMDA and commercial loan sample disclosed 73 percent of the residential and commercial loans originated with the AA with 47 percent of the total loan dollars in the combined AAs. See the following table for information regarding the bank's lending in the AA.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	58	68.24	27	31.76	85	5,790	50.69	5,632	49.31	11,422
Home Improvement	8	100.00	0	0	8	891	100.00	0	0	891
Home Refinance	6	85.71	1	14.29	7	1,015	29.72	2,400	70.28	3,415
Business/Farm	16	80.00	4	20.00	20	899	36.19	1,585	63.81	2,484
Totals	88	73.33	32	26.67	120	8,595	47.19	9,617	52.81	18,212

Source: Home loans from HMDA data reported for 2012 – 2013. Business/Farm loans from sample of loans originated in fiscal years 2012 – 2013.

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

Sage's lending to borrowers of different incomes and to businesses/farms of different sizes is reasonable and considered satisfactory. We looked at residential/home loans and commercial loans in our analysis; however, the most weight was given to business/farm loans (includes commercial real estate, commercial, and farm loans) since the volume of these products was the highest compared to other products. As of March 31, 2014, total commercial loans and home loans make up 76 percent and 16 percent of total loans, respectively.

Gonzales County / Shiner Assessment Area

Residential Loans

Sage’s distribution of residential loans among LMI borrowers is lower than comparative demographics and considered poor; however, the bank did originate some home purchase loans to LMI borrowers during the evaluation period. We factored into our analysis the difficulty that LMI individuals may have in qualifying for home loans in the AA, especially when comparing the 2013 HUD Adjusted Median Family Income of \$50,500 to the AA median home price of \$78,466. The high poverty rate of 20 percent may make it more challenging for individuals in the area to qualify for a home loan.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23.49	9.38	19.38	6.25	18.71	6.25	38.42	78.13
Home Improvement	23.49	0	19.38	0	18.71	0	38.42	0
Refinance	23.49	0	19.38	0	18.71	50.00	38.42	50.00
Total	23.49	8.11	19.38	5.41	18.71	8.11	38.42	70.27

Source: Home loans from reported under HMDA for 2012 – 2013. 2010 Census data.

Note: No income information was available for 6.67 percent of the loans reported by the bank.

Business and Farm Loans

Sage’s distribution of loans to small businesses and small farms reflects excellent penetration among businesses/farms of different sizes. Our sample of 20 loans reflected the bank originated 90 percent of these loans to businesses/farms with revenues less than \$1 million. This significantly exceeds the AA demographic information which reports 71 percent of the businesses have less than \$1 million in gross revenues.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.99	3.47	25.55	100%
% of Bank Loans in AA by #	90.00	10		100%
% of Bank Loans in AA by \$	85.98	14.02		100%

Source: Loan sample from fiscal years 2012 and 2013; Dunn and Bradstreet data.

Hays County/Caldwell County Assessment Area

Residential Loans

Sage’s overall distribution of residential/home loans among LMI borrowers is lower than comparative demographics and considered poor. The banks record of originating home improvement loans to LMI borrowers substantially met or exceeded comparative demographics and considered good and excellent, respectively. We factored into our analysis the difficulty that LMI individuals may have in qualifying for home loans in the AA, especially when comparing the 2013 HUD Adjusted Median Family Income of \$73,200 to the AA median home price of \$127,622. The high poverty rate of 19 percent may make it more challenging for individuals in the area to qualify for a home loan.

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA Hays Co./Caldwell Co.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	25.96	0	18.52	0	22.37	23.81	33.15	33.33
Home Improvement	25.96	25.00	18.52	25.00	22.37	25.00	33.15	0
Refinance	25.96	0	18.52	0	22.37	0	33.15	75.00
Total	25.96	3.45	18.52	3.45	22.37	20.69	33.15	34.48

Source: Home loans from data reported under HMDA for 2012 - 2013; 2010 U.S. Census data.

Note: No income information was available for 37.93 percent of the loans reported by the bank

Business Loans/Farm Loans

Sage’s distribution of loans to small businesses and small farms reflects excellent penetration among businesses/farms of different sizes. Our sample of 20 loans reflected the bank originated 80 percent of these loans to businesses/farms with revenues less than \$1 million. This exceeds the AA demographic information which reports 72 percent of these businesses have less than \$1 million in gross revenues.

Table 2A - Borrower Distribution of Loans to Businesses in AA – Hays Co./Caldwell Co.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.89	2.39	25.72	100%
% of Bank Loans in AA by #	80.00	20.00		100%
% of Bank Loans in AA by \$	43.03	56.97		100%

Source: Loan sample from fiscal years 2012 and 2013; Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion given the bank’s performance context and consistent with safe and sound operations. Sage’s geographic distribution of total residential/home loans reflects excellent dispersion throughout the Hays County/Caldwell County AA. Sage’s geographic distribution of business/farm loans in Hays County/Caldwell County AA reflects reasonable dispersion of loans throughout the AA and meets the standard for satisfactory performance. A geographic analysis of the Gonzales County/Shiner AA was not performed due to the lack of low-income CTs and the limited number of moderate-income tracts in that AA.

Gonzales County / Shiner Assessment Area

A geographic analysis of home and small business loans in this assessment area is impracticable as there are no low-income tracts and only one moderate-income CT.

Hays County / Caldwell County Assessment Area

Residential Loans

Sage’s geographic distribution of total residential/home loans reflects excellent dispersion throughout the AA. Residential/home lending in LMI CTs exceeded the comparative demographic benchmarks for the AA.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA - Hays Co./Caldwell Co.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.74	9.52	31.07	52.38	48.58	38.10	19.61	0.00
Home Improvement	0.74	0.00	31.07	50.00	48.58	50.00	19.61	0.00
Refinancing	0.74	0.00	31.07	75.00	48.58	0.00	19.61	25.00
Total	0.74	6.90	31.07	55.17	48.58	34.48	19.61	3.45

Source: Home loans from data reported under HMDA for 2012 - 2013; 2010 U.S. Census data.

Business/Farm Loans

Sage’s geographic distribution of business/farm loans reflects reasonable dispersion of loans throughout the AA and meets the standard for satisfactory performance. Loans made in moderate-income CTs reflected excellent distribution with the percentage of loans made in moderate-income CTs significantly exceeding the percentage of businesses/farms in moderate-income CTs. Loans made in low-income CTs reflected very poor performance with no loans made in the low-income CT; however, the number of businesses/farms in low-income tracts in the AA is low.

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
Commercial	2.95	0.00	40.21	85.00	36.56	15.00	20.29	0.00

Source: Loan sample from fiscal years 2012 and 2013. D & B data.

Responses to Complaints

Sage has not received any complaints pertaining to the bank’s CRA performance.

COMMUNITY DEVELOPMENT TEST

Sage's performance under the Community Development Test is satisfactory. Sage demonstrates adequate responsiveness to CD needs of its AAs through CD loans, qualified investments, and CD services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for CD in the bank’s AAs.

Number and Amount of Community Development Loans

Gonzales County / Shiner Assessment Area

Sage originated eight loans totaling \$1,479,000, which qualified as CD loans during the evaluation period. These loans included a loan to repair an apartment complex in a moderate-income CT. These loans also included various other small business loans for new or existing businesses in moderate-income or middle-income (underserved and distressed) CTs.

Hays County / Caldwell County Assessment Area

Sage originated 31 loans totaling \$10,198,000, which qualified as CD loans during the evaluation period. These loans included various small business loans for new or existing businesses in LMI CTs. Examples of these loans include the following:

- \$1.6 million loan for a manufactured home park, in a low-income CT, that benefits LMI residents.
- \$1.5 million SBA CDC 504 loan for a building located in a moderate-income CT.
- \$1 million loan for purchase of industrial property for city development in a moderate-income CT.
- \$2.5 million loan for a hotel located in a moderate-income CT.

Conclusion for Area Receiving Limited-Scope Reviews

Based on a limited-scope review, the bank's performance under the CD test in the Comal County AA is not inconsistent with the bank's overall satisfactory performance. The bank made two CD loans totaling \$77,000 in the Comal County AA during the rating period.

Number and Amount of Qualified Investments

Sage made adequate investments, grants, donations to organizations providing community services to LMI individuals and families in AAs.

Gonzales County / Shiner Assessment Area

Performance in the Gonzales County/Shiner AA is adequate. In 2012, 2013, and 2014, the bank made seven donations totaling \$2,450 for qualifying CD investments. These included donations to the Gonzales healthcare Systems Foundation, Gonzales Learning Center, the Gonzales Lions Club, and the United Way.

Hays County / Caldwell County Assessment Area

Performance in the Hays County/Caldwell County AA is adequate. In 2012, 2013, and 2014, the bank made 45 donations totaling \$11,552 for qualifying CD investments. These included donations to Habitat for Humanity – San Marcos, Hands of Hope, School Fuel, San Marcos CISD.

Comal County Assessment Area

Based on a limited-scope review, the bank's performance under the CD test in the New Braunfels AA is not inconsistent with the bank's overall satisfactory performance. The bank made six qualified investments totaling \$1,890 during the rating period.

Extent to Which the Bank Provides Community Development Services

Overall, Sage provided an adequate level of CD Services in its AAs during the evaluation period. Based on full-scope reviews, performance in the Gonzales County/Shiner AA and the Hays County/Caldwell County AA is adequate. Two of the three branches in the Hays County/Caldwell County AA are in moderate-income CTs (Luling, San Marcos). Based on a limited-scope review of the Comal County AA, no CD services were noted or disclosed.

Several bank officers provide financial technical assistance through leadership roles as Board members, directors, officers, or committee chairpersons to organizations whose primary purpose is community development.

Examples of these organizations, include, but are not limited to:

- United Way of Gonzales – A non-profit organization that helps to develop the financial resources of the community to meet the human service needs of Gonzales. Recipients of United Way include American Red Cross, Salvation Army, Gonzales County Senior Citizens, and Gonzales County Child Welfare Board.
- Gonzales ISD Education Foundation – Bank officer served as President, is also on the Finance Committee, and assists with financial statements. The Foundation serves the Gonzales ISD, which has a high economically disadvantaged rate of student enrollment.
- Gonzales County Child Protective Services Board – Bank officer serves as Treasurer. The Board provides financial assistance to Gonzales County CPS to protect and reduce risk of harm to the children of Gonzales County.
- Bluebonnet Elementary School – Lockhart – Bank employee gave a presentation at this school for Financial Literacy Month.
- Caldwell County Development Corporation – Bank officer is a Board member of this organization, which facilitates economic development in Caldwell County.

Responsiveness to Community Development Needs

Responsiveness to CD needs is adequate. Sage has demonstrated adequate responsiveness to credit and community economic development needs in its AA. The bank's CD activities have been primarily in CD loans, qualified investment, and community services.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.