



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 16, 2010**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Business Bank of Texas, N.A.  
Charter Number 24744**

**1910 W. Braker Lane, Bldg. 3, Suite 100  
Austin, TX 78758**

**Office of the Comptroller of the Currency  
Southern District  
San Antonio - North 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 the safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING**

**This institution is rated Satisfactory.**

The major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, assessment area (AA) credit needs, economic environment, competitive factors, and de novo status.
- A majority of the small business loans originated during the evaluation period were within the AA.
- The distribution of loans to businesses reflects a satisfactory penetration among businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.

### **SCOPE OF EXAMINATION**

This Performance Evaluation assesses the performance of Business Bank of Texas (BBT). BBT was evaluated under the Small Bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The evaluation period under the lending test covers the bank's performance from August 6, 2007, through December 31, 2009. This is the first CRA examination conducted for this institution.

Small business loans were determined to be the bank's primary loan product. As this is a de novo bank, coupled with the bank's economic environment, it was difficult to satisfy the sampling requirement. As a result, we sampled 21 small business loans originated from August 6, 2007, through December 31, 2009.

### **DESCRIPTION OF INSTITUTION**

BBT is a de novo bank that opened for business on August 6, 2007, and operates out of its main branch in Austin, Texas. BBT is oriented toward providing products and services to small business owners. The bank offers support in business banking, commercial loans, cash management, and concierge services. As of December 31, 2009, BBT had total assets of \$60 million and Tier one capital of \$12 million.

As of December 31, 2009, BBT reported \$5.6 million in net loans and \$20 million in total deposits. Net loans represented 9% of total assets. The bank is primarily a commercial lender.

A summary of the loan portfolio is as follows:

<b>Loan Portfolio Summary by Loan Product</b>		
<b>December 31, 2009</b>		
<b>Loan Category</b>	<b>Dollar Volume \$(000)</b>	<b>% of Outstanding Dollars</b>
Commercial (Construction/Land Development)	1,031	17%
Commercial & Industrial	4,556	81%
Other Consumer Loans	33	1%
Other Loans	3	1%
<b>Total</b>	<b>5,623</b>	<b>100%</b>

\* Source: Institution Consolidated Reports of Condition

Competition is strong and primarily includes branches of larger national institutions. BBT's primary competitors in the AA are Bank of America, Wells Fargo Bank, JP Morgan Chase Bank, Frost National Bank, and Wachovia Bank. There are no comparable de novo banks in the subject area. There are no legal, financial, or other factors hindering the bank's ability to help meet the credit needs in its AA.

## **DESCRIPTION OF BANK'S ASSESSMENT AREA**

BBT has one AA within the state of Texas. The AA consists of Travis County, which is located in the Austin-Round Rock metropolitan statistical area (MSA). Travis County consists of 181 census tracts comprising 20 low-, 51 moderate-, 59 middle-, and 49 upper-income census tracts. The AA meets the technical and regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The following describes the demographics of the AA:

<b>Demographic Information for Travis County AA</b>					
	<b>#</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>
Geographies (Census Tracts)	181	11.05%	28.18%	32.60%	27.07%
Population by Geography	812,280	11.53%	29.36%	32.41%	26.40%
Owner Occupied Housing Units by Geography	335,881	4.16%	21.43%	36.00%	38.41%
Businesses by Geography	105,534	5.96%	19.27%	32.21%	42.41%
Farms by Geography	1,784	3.25%	18.78%	39.52%	38.45%
Family Distribution by Income Level	185,807	7.81%	27.63%	33.42%	31.14%
Household Distribution by Income Level	320,883	23.72%	17.99%	19.10%	39.19%
Census Median Family Income (MFI)		\$59,348	Median Housing Value	\$140,737	
HUD – Adjusted MFI: 2009		\$73,300	Households Below the Poverty Level	11.32%	
HUD – Adjusted MFI: 2008		\$69,100	Unemployment Rate	2.32%	
HUD – Adjusted MFI: 2007		\$69,300			

Source: 2000 US Census and 2009 HUD updated median family income

Austin is the capital of Texas and the seat of Travis County. Located in central Texas, it is the 4<sup>th</sup> largest city in Texas and the 15<sup>th</sup> largest in the United States. It was the 3<sup>rd</sup> fastest growing large city in the nation from 2000 to 2006. According to the 2009 U.S. Census estimate, Austin had a population of 757,688. The city is the cultural and economic center of the Austin–Round Rock–San Marcos metropolitan area, with a population of 1.7 million as of the July 2008 U.S. Census estimate, making it the 36<sup>th</sup> largest metropolitan area in the United States.

Economic conditions within the AA continue to fare better than the national economy. The December 2009 national unemployment rate was 10%. However, the unemployment rate for the Austin-Round Rock MSA and Travis County were 6.9% and 6.6%, respectively.

Austin is considered to be a major center for technology. Thousands of graduates each year from the engineering and computer science programs at The University of Texas at Austin provide a steady source of employees that help to fuel Austin's technology and defense industry sectors. Major employers in Austin include the State of Texas, Dell Computer Corporation, The University of Texas at Austin, The Austin Independent School District, The Federal Government, The City of Austin, HEB, and Seton Healthcare Network.

Competition from other financial institutions is strong. The bank's competitors include several branches of larger financial institutions. As of June 30, 2009, BBT had a 0.07% deposit market share, ranking it 60<sup>th</sup> among 73 institutions in the market. The bank's major competitors are Bank of America, Wells Fargo Bank, JP Morgan Chase, Frost National Bank, and Wachovia Bank. These banks constitute 19.96%, 15.18%, 14.81%, 5.81%, and 4.92%, respectively. These 5 institutions comprise about 61% of the deposit market share in the Austin-Round Rock MSA.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The bank's lending performance meets the standards for a satisfactory rating. The lending performance is based on five performance criteria that are described in this section. The heaviest volume of loan originations was in small businesses, and thus we focused our lending sample on loans to small businesses.

The small business loan sample of 21 loans was obtained from internal bank reports. The samples were selected for the period of August 6, 2007, to December 31, 2009.

### **Loan-to-Deposit Ratio**

BBT's LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs, and it meets the standard for satisfactory performance. The bank's average LTD ratio is deemed reasonable considering the tough economic environment to obtain quality loans and the strong competition in the AA. The bank has about \$5 million in non-core CDARS deposits, which were excluded in the LTD calculation. This provides the bank an LTD ratio of about 38%. There are no similar de novo banks in the AA.

## Lending in the Assessment Area

A majority of the small business loans originated during the evaluation period were within the AA. BBT meets the standard for satisfactory performance for lending in the AA as 54% of the loans were originated inside the bank's AA. However, the majority of the high dollar loans are outside of the bank's AA. This should improve as loan growth materializes.

<b>Table 1</b>										
<b>Lending in Travis County Assessment Area</b>										
<i>Loan Type</i>	<b>Number of Loans</b>					<b>Dollars of Loans</b>				
	<i>Inside</i>		<i>Outside</i>		<i>Total</i>	<i>Inside</i>		<i>Outside</i>		<i>Total</i>
	#	%	#	%		\$	%	\$	%	
Business Loans	11	53	10	47	21	1,578,450	28	4,085,304	72	5,663,754

*Source: Loan Sample*

## Lending to Businesses of Different Sizes

The distribution of loans to businesses reflects satisfactory penetration among businesses of different sizes. Based on our loan sample, only 33% of the bank's loans to businesses were made to small businesses versus 73% of business with revenues of \$1 million or less. Also, our sample showed that only 18% of the dollar volume of loans to businesses was to small businesses. The majority of the loans made by BBT were to companies with business revenues of \$1 million or more. This is due to the de novo status and current economic environment. There are no similar de novo banks in the AA with which to compare this performance.

The following table shows the distribution of commercial loans among different-sized businesses in the AA.

<b>Table 2</b>				
<b>Borrower Distribution of Loans to Businesses</b>				
<b>Travis County Assessment Area</b>				
<i>Business Revenues (or Sales)</i>	<i>≤\$1,000,000</i>	<i>&gt;\$1,000,000</i>	<i>Unavailable/ Unknown</i>	<i>Total</i>
% of AA Businesses	72.73%	3.88%	23.4%	100%
% of Bank Loans in AA by #	33%	67%	0	100%
% of Bank Loans in AA by \$	18%	82%	0	100%

*Source: Loan Sample; Dunn and Bradstreet Data*

## Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels, and BBT's performance meets the standard for satisfactory performance. No conspicuous gaps or areas of low penetration were identified.

The percentage of small business loans made in low-income geographies falls slightly below the ratio compared to the percentage of small businesses in these geographies. The percentage of small business loans in moderate-income geographies does not meet the ratio compared to percentage of small business in these geographies. However, the Travis County AA is primarily comprised of 59 middle-income and 49 upper-income census tracts that further hinder the bank’s ability to originate loans in low- and moderate-income geographies.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Travis County AA</b>								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	5.96	4.76	19.27	4.76	32.21	42.86	42.41	42.86

*Source: Loan sample; Dunn and Bradstreet data.*

### **Responses to Complaints**

The bank has not received any CRA-related consumer complaints during this evaluation period.

### **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.