



PUBLIC DISCLOSURE

September 14, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Business Bank of Texas, National Association
Charter Number 24744

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

Office of the Comptroller of the Currency
San Antonio North Field Office
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San Antonio, TX 78216-4165

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 CRA RATING: THIS INSTITUTION IS RATED SATISFACTORY.

Business Bank of Texas' (Business Bank) lending performance reflects a Satisfactory response to meeting community credit needs in its assessment area (AA). Major factors that support the rating include:

- The average quarterly loan-to-deposit (LTD) ratio since the last examination is reasonable.
- Business Bank originates a majority of loans inside its AA.
- The penetration of loans to small businesses is reasonable.
- The dispersion of loans throughout the AA is excellent.

SCOPE OF EXAMINATION

We evaluated Business Bank using the Small Bank Community Reinvestment Act (CRA) evaluation procedures. We assessed the bank's lending performance since the previous CRA evaluation dated February 16, 2010, focusing on loans originated from January 1, 2012 through June 30, 2015.

DESCRIPTION OF INSTITUTION

Business Bank, a locally owned financial institution, opened in August 2007. Total assets have grown significantly during the past five years, increasing from \$60 million at the previous CRA evaluation to \$114 million as of June 30, 2015. The loan portfolio grew from \$5.6 million to \$65 million in the same time frame. Business Bank's main office is located in a moderate-income, industrial area of Austin, Texas. It has no branches or ATMs.

Business Bank focuses on technology solutions to deliver products and services to customers in various Texas locations. Business Bank services its customer depository needs through online banking, remote deposit capture, virtual teller, treasury management, and ACH origination solutions. Customer lending needs are serviced through the main office and loan production offices (LPOs) in San Antonio and Dallas Texas. Business Bank specializes in and primarily focuses on commercial banking.

Loan and deposit products are designed primarily for business customers, but the bank also offers consumer deposit products, including free non-bank owned ATM transactions, as detailed in the bank's public file. The loan portfolio distribution is summarized below:

LOAN PORTFOLIO SUMMARY AS OF JUNE 30, 2015		
<i>Loan Category</i>	<i>Dollar Volume (000s)</i>	<i>% of Total Loans</i>
Commercial (including Real Estate)	57,726	88%
Residential	6,042	9%
Ag Related (Farm Land)	1,247	2%
Consumer Loans	76	<1%
Other Loans	280	<1%
Total	65,371	100%

Source: June 30, 2015 Call Report

Internal reports reflect that approximately 40% of bank deposits originate from the Austin area market. Customers in the San Antonio market also represent a significant share of the bank’s deposit base at 26%.

There are no legal, financial, or other factors hindering Business Bank’s ability to meet the credit needs in its AA. Although the AA is large for just one location, the use of technology has enabled Business Bank to help meet its customer credit needs. The bank’s lending performance was rated Satisfactory in the previous CRA evaluation dated February 16, 2010.

DESCRIPTION OF ASSESSMENT AREA(s)

While Business Bank has three defined lending markets, Austin, San Antonio and Dallas, it has only one office resulting in only one AA defined as all of Travis and Williamson Counties. Both counties are part of the Austin-Round Rock Metropolitan Statistical Area (MSA). The AA meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income areas.

Competition in the AA is very strong from many larger financial institutions. The FDIC’s June 30, 2015 deposit market share report reflects at least 59 other banks and savings institutions in these two counties. Business Bank ranked 25th with a minimal 0.29% market share. Larger multi-national and regional banks hold approximately 70% of the deposits in the AA. The loan market share analysis was not meaningful because Business Bank is not required to report its primary product, business loans, for market share analysis and they make very few residential loans that are reportable.

Travis County

Travis County consists of 218 Census tracts (CTs) comprised of 35 low- (16%), 55 moderate- (25%), 58 middle- (27%), and 67 upper-income CTs (31%). There are three CTs (1.38%) with no population or permanent housing. The City of Austin is the Texas capital and the Travis County seat. Austin is the largest city in the Austin-Round Rock MSA. Located in Central Texas, Austin is the fourth largest city in Texas and the 11th largest in the United States according to 2014 U.S. Census estimates. The Census data reflects that the Austin metro area is one of the fastest growing large cities in the nation. The estimated population for Travis County in 2014 was 1,151,145, which is a 12% growth rate since 2010. The estimated 2014 population in Austin was 912,791.

Economic indicators within Travis County have improved since the previous CRA evaluation period and have fared better than national trends. The Austin Chamber of Commerce states the Austin MSA was in the top 10 metropolitan areas across the U.S. for non-farm payroll jobs during 2014-2015. The Austin Chamber further states the Central Texas educated workforce is one of the region's strongest assets. In the Austin metropolitan area, 41% of adults have at least a bachelor's degree, compared to 29% nationally. The region benefits from over 50 colleges and universities and 400,000 enrolled students within a 100-mile radius. The growing workforce is young with a median age over four years younger than that of the rest of the nation.

The county's largest employers are governments (the State of Texas, the U.S. Federal Government, Travis County and the City of Austin) and public educational institutions (notably Austin ISD, Austin Community College and the University of Texas). Other major employers are concentrated in industries relating to semiconductors, software engineering and healthcare. Austin is also a popular venue for large music festivals.

Information from the Bureau of Labor Statistics (BLS) reflects unemployment rates in Travis County have been lower than state and national trends. The average annual unemployment rate in Travis County has improved from a high of 6.8% in 2010 to 4.0% in 2014. Unemployment rates have continued to decline in 2015, with an average rate of 3.2% through August 2015.

The estimated Department of Housing and Urban Development (HUD) median family income for 2015 was \$76,800, an increase from \$73,800 in 2010. Census Quick Facts indicates that the number of persons below poverty levels in Travis County from 2009-2013 was 17.4% which is just slightly below State levels of 17.6%. The growth in population and strong local economy has contributed to increasing home values. According to U.S. Census data and the American Community Survey, owner-occupied median home values have increased 14% in Travis County from \$215,300 in 2009 to \$245,600 in 2014.

Williamson County

Williamson County is adjacent to Travis County and consists of 89 CTs, including 14 moderate- (16%), 47 middle- (53%), and 28 upper-income (31%) CTs. There are no low-income CTs in Williamson County. Round Rock and Georgetown are the largest communities in Williamson County. Georgetown is the county seat. The 2014 estimated population for Williamson County was 489,250, which reflects a strong growth rate of 16% since the 2010 Census.

The median family income for Williamson County is the same as the Austin MSA and Travis County. Poverty levels in Williamson County, however, are much lower at 7.8%. As in Travis County, the American Community Survey and U.S. Census data reflects rising owner-occupied median home values in Williamson County from \$175,300 in 2009 to \$212,300 in 2014.

Major industries in Williamson County include technology, healthcare, education, utilities, retail, agri-business, materials and communication equipment manufacturing, as well as local governments. Large employers in the county include companies such as Dell Inc., Sears Teleserv, Emerson, the Round Rock Premium Outlet, Texas Guaranteed Student Loans and Southwestern University. Scott & White Healthcare and St. David's Round Rock Medical Center are also major employers.

Data from the BLS.gov reflects similar unemployment trends in Williamson County as compared to Travis County during the evaluation period. In 2010, unemployment rates averaged as high as 7.2% in 2010 and as low as 3.4% through August 2015.

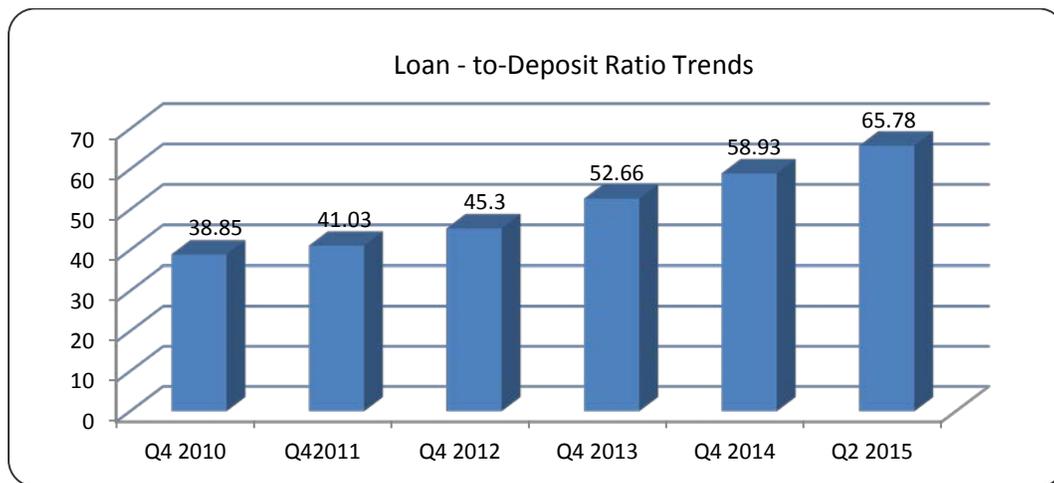
Community Contacts

As part of this evaluation, we assessed community credit needs in the bank's AA by reviewing CRA Public Evaluations of other banks operating in the same area, and reviewing four community contacts with local governmental and non-profit organizations focused on small business and economic development in the Austin - Round Rock MSA. Our review determined the most pressing credit needs in the AA are affordable housing and small business lending. Other identified needs included financial literacy, ongoing training for small businesses, and education for homebuyers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Based on Business Bank's resources, financial capacity, competitive environment, and other performance context factors, its quarterly average LTD ratio of 47% since the last CRA examination is reasonable. As depicted in the following chart, the LTD ratio increased steadily reflecting Business Bank's willingness and ability to lend in its AA.



Business Bank’s quarterly average LTD ratio of 47% is near to the combined quarterly average ratio for the other banks operating in the AA, but most of the bank’s competitors are larger institutions with more branches. Business Bank is still a relatively new institution and loan demand was slow until late 2010 when the economic recovery began. Other banks operating in the same markets as Business Bank and with a similar business focus had a quarterly average LTD ratio of 52% during this same period.

Lending in Assessment Area

Business Bank originated a majority of loans in our sample outside the AA. However, the percentage of loans originated exceeds the percentage of deposits (40% as estimated by bank management) originating in Travis and Williamson Counties. The following table summarizes loan originations, by number and dollar volume, inside and outside the AA.

LENDING IN THE TRAVIS - WILLIAMSON COUNTY ASSESSMENT AREA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Business Loans	28	47	32	53	60	9,655	52	8,953	48	18,608

The majority of loans originated outside the AA are in areas where Business Bank has an LPO. The percentage of loans originated in the LPO areas is consistent with the percentage of deposits from these areas, especially in the San Antonio market.

Lending to Businesses of Different Sizes

Business Bank’s penetration of loans to businesses of different sizes is reasonable. Since the last CRA examination, Business Bank has originated 188 business loans totaling \$66 million. As reflected in the following table, 48% of the business loans in our sample were to small businesses (defined as businesses with gross annual revenues of \$1 million or less). While the penetration of loans to small businesses is somewhat lower than the percentage of small businesses in the AA, our sample included only loans in the AA, and Business Bank originates business loans, including small business loans, in its LPO areas. In addition, we found that 90% of the sampled business loans with revenues >\$1million met the definition of a small business under the U. S. Government’s Small Business Administration (SBA) guidelines.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN TRAVIS - WILLIAMSON COUNTY ASSESSMENT AREA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70	4	26	100%
% of Bank Loans in AA by #	48	52	N/A	100%
% of Bank Loans in AA by \$	54	46	N/A	100%

Source: Loan sample; Dunn and Bradstreet data

Geographic Distribution of Loans

Business Bank’s lending performance reflects excellent dispersion of loans throughout its AA, including low- and moderate-income areas. As reflected in the following table, the distribution of loans in low-income geographies significantly exceeds the percentage of small businesses located in those areas. The distribution of loans in moderate-income geographies just slightly exceeds the percentage of small businesses in those areas.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN TRAVIS - WILLIAMSON COUNTY ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
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	7	18	16	17	29	27	48	38

Source: Loan sample; D & B data. The areas without non-farm businesses areas were N/A = .08%

Responses to Complaints

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

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Pursuant to 12 CFR 25.28(c), or 12 CFR 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 AA 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.