



## **PUBLIC DISCLOSURE**

November 17, 2014

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

The Perryton National Bank  
Charter Number 11595

825 South Main Street  
Perryton, TX 79070

Office of the Comptroller of the Currency

5225 South Loop 289  
Suite 108  
Lubbock, TX 79424-1319

**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**

Perryton National Bank's (PNB) CRA performance is satisfactory. The rating is based on the following:

- PNB's average quarterly net loan-to-deposit ratio of 28.65 percent is reasonable considering the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans are located within the bank's AA. About 83 percent of the number of loans and 70 percent of the dollar volume of loans are to borrowers who live or operate their businesses within the AA.
- PNB's distribution of loans to businesses with gross annual revenues less than or equal to \$1 million shows excellent penetration. Overall penetration is reasonable for distribution of consumer loans to borrowers of various income levels.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses PNB's record of meeting the credit needs of the community in which it operates. We evaluated PNB using the small bank performance criteria, which includes loan-to-deposit ratio, lending in the AA, lending to borrowers of different income levels and to businesses of different sizes, geographic distribution, and responses to CRA-related complaints.

## **DESCRIPTION OF INSTITUTION**

PNB is a community bank located in Perryton, Texas, the county seat of Ochiltree County in the northern Texas panhandle. The bank is wholly owned by Perryton Bancshares, a one-bank holding company located in Perryton, Texas. Perryton Bancshares reported consolidated assets of \$169 million as of June 30, 2014.

PNB is a full service bank operating in only one location in Perryton, which includes a drive-up facility and an ATM. PNB's business strategy is to provide outstanding banking services to customers while increasing the long-term value of the owners' investment. PNB has no legal or financial circumstances that could impede the bank's ability to help meet the credit needs in the AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks. At the previous CRA evaluation in March 2008, the bank was rated Satisfactory.

As of September 30, 2014, PNB had total assets of \$185 million, with net loans and leases comprising 25.48 percent of average assets. The bank's loan products include business, farm, consumer, residential real estate, farm real estate, and commercial real estate. The following table depicts PNB's loan portfolio composition.

<b>Loan Portfolio Composition as of September 30, 2014</b>				
<b>Loan Type</b>	<b>\$000</b>	<b>% of \$</b>	<b># of Loans</b>	<b>% of #</b>
Commercial	14,309	31.41	191	14.48
Consumer	9,417	20.67	991	75.14
Agricultural	15,784	34.64	88	6.67
Residential	6,053	13.28	49	3.71
<b>Totals</b>	<b>45,563</b>	<b>100.00</b>	<b>1,319</b>	<b>100.00</b>

*Source: September 30, 2014 Call Report*

## DESCRIPTION OF ASSESSMENT AREA

The Board of Directors of PNB has designated Ochiltree County, Texas as the bank's AA. This area meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. The county has a population of 10,223. Specific demographic data and economic data for Ochiltree County are listed below.

<b>Demographic and Economic Characteristics of Ochiltree County AA</b>	
<i>Population</i>	
Number of Families	2,510
Number of Households	3,533
<i>Geographies</i>	
Number of Census Tracts	3
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	33.33%
% Upper-Income Census Tracts	66.67%
<i>Median Family Income (MFI)</i>	
2013 MFI for AA	58,488
2014 HUD-Updated MFI	51,600
2013 HUD-Updated MFI	50,500
2012 HUD-Updated MFI	49,300
<i>Economic Indicators</i>	
Unemployment Rate	5.48%
2013 Median Housing Value	\$79,296
% of Households Below Poverty Level	15.14%

*Source: 2010 Census data and HUD updated income data*

Demographic information for the AA shows that 22.81 percent of households are low-income, and 13.02 percent of households are moderate income.

Competition is extremely high in the AA. In addition to PNB, three other commercial banks have branches in Perryton. There is also a regional credit union and two consumer loan companies. Banks chartered in nearby counties also pursue loans in the AA.

The local economic conditions are robust and the outlook is positive. The AA is reliant on both the agriculture industry and the oil and gas industry. The primary employer in the county is the local school district. The largest business employer is Texas Farm, a local hog operation with approximately 400 employees. Perryton Equity employs about 150 people. Oil field service companies employ over 200 people.

We interviewed two community contacts for the purpose of for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and ascertaining the performance of local financial institutions. According to the contacts, there are no immediate credit needs in the community. Perryton has continued to thrive because of the stability provided by area industries, and banks in the area consistently provide funding when necessary to help expand and enhance the area’s economy, including local businesses.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

Perryton National Bank's loan to deposit ratio is reasonable give the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was stable at 28.65 percent since the last CRA evaluation in March 2008. The average loan-to-deposit ratio of similarly situated banks within the assessment area for the same period was 56.91 percent. PNB is most similar to Interstate Bank, SSB (IB) based on size and location; IB is more heavily weighted to residential loans while PNB focuses on commercial and agricultural loans.

Competition in the AA is strong, with three banks, two finance companies, and one local credit union serving the community. FirstBank Southwest is a \$1 billion regional bank headquartered in Amarillo, TX. It has one branch in the AA and dominates Ochiltree County deposit market share at 42 percent. IB and PNB have 28 percent and 27 percent, respectively, with First National Bank of Spearman (FNB) at 3 percent. Both FNB and IB also have main or branch offices in Hansford County (Spearman, TX), allowing for a broader lending territory.

In addition to competitive pressures, PNB has experienced large increases in deposits due to the spike in oil prices and proceeds from drilling activity in the area. Deposits are up 55 percent from December 31, 2010 while loans have increased 31 percent. The bank has a diversified loan portfolio, but agricultural lending opportunities have been reduced due to the ongoing severe drought conditions and low cattle prices. To illustrate, agricultural loans as a percentage of PNB’s gross loans declined from 25 percent in September 2008 to 15 percent in September 2014.

The quarterly average loan-to-deposit ratio for similarly situated banks in the AA is listed below. No ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$000s (As of 9/30/14)	Average Loan-to-Deposit Ratio
First National Bank of Spearman	\$187,207	61.18%
Interstate Bank, SSB	\$194,315	52.63%
<b>The Perryton National Bank</b>	<b>\$169,211</b>	<b>28.65%</b>

Source: September 30, 2014 Report of Condition

**Lending in Assessment Area**

PNB’s lending in the AA meets the standard for satisfactory performance. A majority of the bank’s loans were made inside its AA. To assess performance for these criteria, we reviewed 24 commercial loans and 35 consumer loans originated between 2012 and 2014. About 83 percent of the number of loans and 70 percent of the dollar amount of loans were originated within the bank’s AA. The results by loan category are illustrated in the following table.

<b>Lending in Ochiltree County</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	20	83.33	4	16.67	100	1,551	66.68	775	33.32	100
Consumer	29	82.86	6	17.14	100	376	91.15	36	8.85	100
Totals	49	<b>83.05</b>	10	16.95	100	1,927	<b>70.36</b>	812	29.64	100

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

PNB's borrower distribution reflects overall reasonable penetration, based on excellent penetration among businesses of different sizes and reasonable penetration among households of various income levels within the AA.

PNB's business borrower distribution for commercial loans reflects an excellent penetration to businesses of different sizes. About 80 percent by number and 39 percent by dollar amount were made to businesses with gross annual revenues less than \$1 million. This compares favorably to demographic data showing that 69 percent of the AA's businesses are considered small. The following table reflects the results of our sample of business loans.

<b>Borrower Distribution of Loans to Businesses in Ochiltree County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68.56	3.72	27.72	100%
% of Bank Loans in AA by #	80.00	20.00	0.00	100%
% of Bank Loans in AA by \$	39.44	60.56	0.00	100%

*Source: Loan Sample; Dunn and Bradstreet data*

The distribution of consumer loans reflects an overall reasonable penetration among households of different income levels. The distribution of consumer loans to moderate-income households (38 percent) significantly exceeds the demographic (13 percent), and is excellent. The distribution of consumer loans to low-income households (17 percent) is below the demographic (23 percent). However, this is reasonable given that 15 percent of households are below the poverty level and may not qualify for bank loans. The following table shows the results of our sample of consumer loans.

<b>Borrower Distribution of Consumer Loans in Ochiltree County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	22.81	<b>17.24</b>	13.02	<b>37.93</b>	13.73	10.34	50.44	34.48

*Source: Loan Sample; 2013 U.S. Census Data*

### **Geographic Distribution of Loans**

Because the AA does not have any low- or moderate- income census tracts, this analysis is not meaningful and was not performed.

### **Responses to Complaints**

There were no complaints relating to PNB's CRA performance in the public file nor were there any complaints received by the supervisory agency relating to PNB's CRA performance. PNB has systems in place to ensure that complaints are addressed in a timely manner.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices, in any geography by the bank or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

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