



## **PUBLIC DISCLOSURE**

May 01, 2023

# **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

5001 West Loop 289  
Suite 250  
Lubbock, TX 79414

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, and should not 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.

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## **Overall CRA Rating**

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

**The lending test is rated: Satisfactory.**

The major factors that support this rating include:

- A reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period.
- A majority of the loans sampled were made within the bank's AA.
- Lending to individuals of different income levels is reasonable.
- Lending to businesses of different sizes is excellent.

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

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio is reasonable.

The Perryton National Bank's (PNB's) quarterly average LTD ratio for the 16 quarters from December 31, 2018, to December 31, 2022, is 39.4 percent. The average LTD of similarly situated institutions for the same period is 70 percent, with a low of 58 percent and a high of 77 percent. These institutions are all within the northeastern Texas panhandle and bordering Oklahoma counties. They range in size from \$136 million to \$219 million in assets.

Multiple factors drive the bank's performance in this area. The ratio has improved from the prior evaluation, and the bank has historically fallen within the 35 percent to 50 percent range for its quarterly LTD ratios. Strong competition paired with limited loan demand in the AA compresses the ratio. Mergers and acquisitions have also inflated peer averages as smaller institutions have been absorbed into larger institutions with greater lending capacity. Lastly, the bank's lower LTD ratio coincides with its conservative lending strategy. Stricter underwriting factors further limits lending opportunities.

## **Lending in Assessment Area**

A majority of the bank's loans are inside its assessment area (AA).

The bank originated and purchased 83 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

<b>Lending Inside and Outside of the Assessment Area</b>										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	25	83	5	17	30	7,839	92	683	8	8,522
Consumer	25	83	5	17	30	498	85	89	15	587
Total	50	83	10	17	60	8,336	92	772	8	9,109

## Description of Institution

PNB is a \$176 million 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. PNB's only location offers full-service banking and includes a drive-up facility and traditional automated teller machine (ATM). Both the lobby and drive-up are open Monday through Friday, with extended drive-up hours. Basic online banking services are available at [www.perrytonbank.com](http://www.perrytonbank.com).

As of December 31, 2022, net loans and leases comprised of 41 percent of total assets, with commercial loans as the largest percentage of this total. PNB's business strategy is to meet and effectively serve the credit needs of its entire community, while preserving flexibility necessary to operate in a safe and sound manner. It offers real estate, oil and gas, agricultural, consumer, and commercial loans to accomplish its goals. The bank received a Satisfactory rating at its April 9, 2019, CRA evaluation. There are no legal or financial circumstances that would impede the bank's ability to meet its community's credit needs.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The CRA evaluation period is January 1, 2019, through December 31, 2021. The year 2022 was not included in the scope of this evaluation. Peer data was not available for 2022 at the time of this report; thus, no meaningful analysis could be completed. The OCC evaluated PNB using small bank CRA performance standards that include five performance criteria: LTD ratio, lending in the AA, lending to borrowers of different incomes and businesses of different sizes, geographic distribution of loans, and responsiveness to CRA complaints. To evaluate the bank's lending performance, the OCC selected a random sample of loans originated during the evaluation period based on identified primary products in the bank's AA. Primary loan types are those products originated at the highest percentage by number and/or dollar volume of loans and business strategy. During this evaluation period, primary products consisted of consumer and business loans in the Ochiltree County AA.

### Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA

AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

## **Ratings**

The bank’s overall rating is a blend of the state ratings, and where applicable, multistate ratings.

PNB has only one rating area, which is the State of Texas. The bank’s overall rating is based on a full-scope review of the Ochiltree County AA within the state.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the “Scope” section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank’s or federal savings association’s (collectively, bank) 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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution’s lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Texas

**CRA rating for the State of Texas<sup>1</sup>:** Satisfactory

**The Lending Test is rated:** Satisfactory

The major factors that support this rating include:

- A reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period.
- A majority of the loans sampled were made within the bank's AA.
- Lending to individuals of different income levels is reasonable.
- Lending to businesses of different sizes is excellent.

### Description of Institution's Operations in Texas

PNB is a \$176 million 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. PNB's only location offers full-service banking and includes a drive-up facility and traditional automated teller machine (ATM). Both the lobby and drive-up are open Monday through Friday, with extended drive-up hours. Basic online banking services are available at [www.perrytonbank.com](http://www.perrytonbank.com).

PNB has designated Ochiltree County as its assessment area (AA). The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate- income areas. There are no LMI census tracts within the AA. Agriculture represents the main industry of the overall AA. Perryton is the largest city within the AA and is a major producer of oil and gas in addition to being a large producer of wheat and other agricultural products. The local school district is the largest employer for the area. Oil and gas service companies and local farmers represent other major employers.

The bank faces strong competition within the market. There are four financial institutions operating within the AA including PNB. PNB has dropped from second to third in deposit market share at 24.7 percent. Firstbank Southwest and Interstate Bank rank higher at 38 percent and 32 percent market share, respectively.

Examiners contacted one local official to obtain a community profile and identify opportunities for community development participation by local institutions. Perryton, TX, and Ochiltree County are predominately an oil & gas and agricultural community. The local economy is stable; however, growth has been relatively stagnant over the last few years relative to historical performance. The contact

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<sup>1</sup> This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

identified the primary credit needs of the community to be residential real estate, general consumer loans, and small business loans. The contact further expressed that the perception and experience of the local community and citizens of Perryton, TX, and Ochiltree County regarding local financial institution involvement is positive.

## Ochiltree County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Ochiltree County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	0.0	33.3	66.7	0.0
Population by Geography	10,642	0.0	0.0	35.9	64.1	0.0
Housing Units by Geography	4,049	0.0	0.0	34.9	65.1	0.0
Owner-Occupied Units by Geography	2,695	0.0	0.0	31.1	68.9	0.0
Occupied Rental Units by Geography	1,001	0.0	0.0	47.1	52.9	0.0
Vacant Units by Geography	353	0.0	0.0	29.2	70.8	0.0
Businesses by Geography	775	0.0	0.0	39.0	61.0	0.0
Farms by Geography	78	0.0	0.0	7.7	92.3	0.0
Family Distribution by Income Level	2,770	18.5	13.0	19.5	49.0	0.0
Household Distribution by Income Level	3,696	18.3	13.1	16.3	52.3	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$83,298
			Median Gross Rent			\$707
			Families Below Poverty Level			12.9%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## Scope of Evaluation in Texas

The institution has designated Ochiltree County as its AA. The AA received a full-scope review. Refer to the table in appendix A for a list of all AAs under review. Consistent with the institution’s primary lending focus, consumer and small business loans were analyzed.

## Lending Test

The bank’s performance under the Lending Test in Texas is rated Satisfactory.

## Conclusions for (Area/Areas) Receiving (a Full-Scope Review/Full-Scope Reviews)

Based on a full-scope review, the bank’s performance in the Ochiltree County AA is good.

### **Distribution of Loans by Income Level of the Geography**

Because the AA does not have any low- nor moderate-income CTs, this analysis is not meaningful and was not performed.

### **Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

#### ***Small Loans to Businesses***

Refer to Table R in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

The distribution of small loans to businesses reflects excellent penetration. The bank's percentage of lending to small businesses with revenues less than \$1 million greatly exceeds both the percentage of small businesses that report less than \$1 million in the AA and the aggregate lending to these businesses.

#### ***Consumer Loans***

Refer to Table V in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The distribution of loans to individuals of different incomes is reasonable. The percentage of bank-originated loans to low-income borrowers slightly lags demographic distributions. The bank greatly exceeded the demographic distribution in lending to moderate-income individuals.

### **Responses to Complaints**

The bank did not receive any CRA-related complaints during the performance evaluation period.



## **Appendix A: Scope of Examination**

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	January 1, 2020 to December 31, 2021	
<b>Bank Products Reviewed:</b>	Small business and consumer loans	
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
Ochiltree County	Full-scope	Small business and consumer loans

**Appendix B: Summary of MMSA and State Ratings**

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RATINGS	THE PERRYTON NATIONAL BANK
Overall Bank:	Lending Test Rating
The Perryton National Bank	Satisfactory
State:	
Texas	Satisfactory

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

**Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

**Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>											<b>2019-2021</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% of Businesses	% Bank Loans	
	25	7,838,790	100	163	78.7	84	34.4	5.4	16	15.9	0	
<b>Total</b>	25	7,838,790	100	163	78.7	84	34.4	5.4	16	15.9	0	

*Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0*

<b>Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower</b>												<b>2019-2021</b>	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
	25	497,649	100	18.3	16	13.1	44	16.3	20	52.3	20	0.0	0
<b>Total</b>	25	497,649	100	18.3	16	13.1	44	16.3	20	52.3	20	0.0	0

*Source: 2015 U.S Census; 01/01/2019 - 12/31/2021 Bank Data. Due to rounding, totals may not equal 100.0*

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.