



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 30, 2002 

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Perryton National Bank
Charter Number 11595**

**825 South Main Street
Perryton, TX 79070**

**Comptroller of the Currency
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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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Perryton National Bank (PNB) has a satisfactory performance record for CRA. This is based on the following:

- PNB's average quarterly loan-to-deposit ratio since the last examination is 48.87 percent. This is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of PNB's loans are in the assessment area.
- The distribution of loans reflects an excellent penetration among individuals of different income levels and businesses and farms of different sizes.
- A rating of the geographic distribution of loans would not be meaningful.
- No complaints were received, and no concerns about fair lending practices were noted.

DESCRIPTION OF INSTITUTION

PNB is a \$62 million dollar community bank located in Perryton, Texas, the county seat of Ochiltree County in the northern Texas panhandle. It is the only bank in Perryton Bancshares, Inc., which is owned primarily by local investors. PNB is a full service bank operating from only one location in Perryton. That location includes a drive up facility and an ATM. At the previous CRA examination in June 1997, the bank was rated satisfactory. There are no legal impediments to the bank's ability to meet credit needs. The size of the bank may impact the size of loan the bank makes, but participations of over-line balances mitigate that factor somewhat. No merger or acquisition activity is currently underway.

We reviewed the annual report of the bank's CRA Officer to the Board. The information includes the volume of loans made and a review of the lending within the assessment area. Memos in loan files reflect income levels of borrowers, so management can evaluate lending across income levels. This demonstrates a commitment to a high level of performance under the CRA.

The bank provides all customary banking services, including a wide variety of both loan and deposit accounts. PNB holds approximately 28.5 percent of deposits in the assessment area. It also provides Internet banking and telephone access for customers. Loans comprise approximately 48 percent of total assets. The main credit need identified by management is agriculture purpose loans, and PNB is primarily an agricultural lender. It also makes loans for commercial and consumer purposes as well. Chart 1 shows the composition of the loan portfolio as of June 30, 2002.

LOAN PORTFOLIO COMPOSITION		
Loan Category	\$ (000)	%
Agriculture Real Estate Loans	1,640	5.41
Commercial Real Estate Loans	2,386	7.88
Residential Real Estate Loans	3,308	10.92
Agriculture Purpose Loans	8,522	28.14
Commercial Loans	8,004	26.43
Consumer Loans	6,426	21.22
Total	30,286	100.00

Chart 1
Based on June 30, 2002 Call Report

DESCRIPTION OF OCHILTREE COUNTY

The Board of PNB has established Ochiltree County, Texas as the bank's assessment area. This area meets the regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. The county has a population of approximately 9,050 persons, and approximately 8,000 live in the city of Perryton. Perryton is the only city in Ochiltree County. The population consists of 2,664 total families and 3,358 total households. Population totals have changed very little over the last ten years.

There are four block-numbering areas in the assessment area, two designated as middle-income, and two designated as upper-income. No specific areas were designated as low- or moderate-income as of the 1990 census. However, demographic information of the assessment area shows that 13.9 percent of families are low-income, and 12.3 percent of families are moderate-income. Approximately 2.29 percent of persons are unemployed, and over 12.7 percent of households are below the poverty level as of the 1990 census. The 1990 weighted average of Median Family Income of the assessment area is \$29,943. The 2002 HUD-Adjusted median family income is \$36,100. Demographic information indicates that the weighted average of median housing is \$42,264, and about 59.5 percent of the available housing is owner-occupied.

In addition to PNB, two other national banks have branches in Perryton. There is also a regional credit union and two consumer loan companies. Banks from communities in other counties also pursue loans in the assessment area. This results in a significant level of competition for loans in the area.

The assessment area is reliant on both the agriculture industry and the oil and gas industry. This has benefited the area as economic trends for each industry have helped to keep the economy more stable.

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 persons, and there are many oil field service companies that employ a number of persons. Retail business remains very good, probably because of the distance to any other community with substantial retail businesses. Community contacts noted that people from nearby communities in the Texas and Oklahoma panhandles travel to Perryton for shopping due to larger grocery stores and the various retail stores located there.

Discussion with community contacts indicated that more local residents have hourly wage jobs now than in past census data. In addition, there are two segments of the city of Perryton that are considered low- or moderate-income areas, as the city has applied for some grants to meet needs there. Housing in general is reported as adequate, but some additional need was expressed for housing for low-or moderate-income families. There are few new homes being built, and those are generally pre-sold. Local lenders have programs for first-time homebuyers to help with closing costs. Contacts reported that local financial institutions are very active in identifying and meeting credit needs in the community. No unmet credit needs were identified during our examination.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

PNB's CRA performance is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area consistent with the bank's resources and capabilities. Agricultural lending is the primary need identified in the community, and PNB makes a significant volume of agricultural loans. In addition, the bank makes commercial loans for business operations and working capital, consumer loans, and residential mortgage loans. The review did not focus on any community development lending or services.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of PNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio since the last CRA examination was 48.87 percent. PNB's ratio is lower than banks in nearby communities as is reflected in Chart 2. However, the loan-to-deposit ratio as of June 30, 2002 had increased to 55.57 percent, reflecting management's efforts to increase lending activity.

LOAN-TO-DEPOSIT RATIOS			
Institution	Total Assets (June 30, 2002)	Average LTD Ratio ⁽¹⁾	LTD Ratio (June 30, 2002)
First State Bank, Spearman	62 million	51.15	44.22
First National Bank, Spearman	71 million	57.61	56.79
First National Bank, Dalhart	42 million	68.29	64.92
<i>Perryton National Bank</i>	<i>62 million</i>	<i>48.87</i>	<i>55.57</i>

Chart 2

(1) Since the last CRA examination in June 1997

Lending in Assessment Area

A substantial majority of the bank's loans were made within its assessment area. In order to assess the performance for this area, we reviewed a sample of 20 agriculture loans and 20 consumer loans originated July 2000 through October 2002. Our analysis determined that 90 percent of the number of loans and 97 percent of the dollar volume of loans in the sample were made to borrowers in the assessment area.

LENDING IN THE ASSESSMENT AREA - TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Agriculture	18	90	2295.1	97.58	2	10	56.9	2.42
Consumer	18	90	170.8	93.20	2	10	12.5	6.80
Total Reviewed	36	90	2,465.9	97.26	4	10	69.4	2.74

Chart 3

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

PNB's loan portfolio reflects an excellent penetration among individuals of different income (including low- and moderate-income) levels and businesses and farms of different sizes. Our analysis included 20 consumer loans totaling \$176 thousand and 20 agricultural loans totaling \$2.4 million, which originated July 2000 through October 2002.

Consumer Loans – Our analysis reflects an excellent distribution of consumer loans to low- and moderate-income households. Based on 1990 Census information, 28.2 percent of households in the assessment area are low-and moderate-income. Our review determined that 80 percent of consumer loans were made to low- and moderate-income households. This distribution exceeds the income characteristics of the assessment area.

BORROWER DISTRIBUTION OF CONSUMER LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	15.0		13.2		15.9		55.8	
LOANS	% of Number	% of Amount						
Total	50	25.16	30	47.09	10	19.67	10	8.08

Chart 4

Agricultural Loans – Based on 2001 Business Demographic Data, there are 113 farms with reported revenues located within the assessment area. Ninety-three percent of the farms reported revenues less than or equal to \$1 million. All loans in the agriculture sample reported revenues below \$1 million. This is comparable to revenue levels of farms in the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS			
BUSINESS REVENUES	≤\$1,000,000	>\$1,000,000	Not Reported
% of AA Farms	92.92	7.08	0.00
% of Bank Loans in AA #	100	0	0
% of Bank Loans in AA \$	100	0	0

Chart 5

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not performed because there are no low- or moderate-income areas in the assessment area, and the analysis would not be particularly meaningful.

Responses to Complaints

There have been no complaints received by the bank or the Ombudsman's Office regarding PNB's CRA performance. The bank has established procedures to address in a timely manner any complaint that could be received.

Fair Lending Review

An analysis of three years' public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.