



## **PUBLIC DISCLOSURE**

April 9, 2019

### **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, 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

### The Lending Test is rated: Satisfactory

The Perryton National Bank (PNB) has a satisfactory record of meeting community credit needs. The rating is based on the following findings:

- PNB's quarterly average net loan-to-deposit (LTD) ratio of 35 percent is reasonable given the bank's size, financial condition, local competition, and assessment area (AA) credit needs.
- PNB originated a majority of its loans by number (92 percent) and by dollar amount (77 percent) to borrowers located within the AA.
- PNB's loan portfolio reflects a reasonable penetration among businesses of different sizes and consumer loans among individuals of different income levels, including low- and moderate-income borrowers.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. CTs generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under the U.S. Department of Housing and Urban Development Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the CD needs of its AA(s).

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 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 CT delineated by the U.S. 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), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement, and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing, and one-to-four family dwellings other than manufactured housing.

**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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**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 metropolitan area/AA.

**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. 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 it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**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 (MSA):** 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.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Rated Area:** A rated area is a state or multistate MA. 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 multistate MA, the institution will receive a rating for the multistate MA.

**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.

## 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.

PNB is a full service bank operating in only one location in Perryton, which includes a drive-up facility and automated teller machine. PNB's business strategy is to provide high quality financial services as well as community leadership.

As of December 31, 2018, PNB had total assets of \$172 million, with net loans and leases comprising 33 percent of total 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.

Loan Originations in 2016, 2017 and 2018 by Original Amount				
Loan Category	\$ of Loans (000s)	% of \$	# of Loans	% of #
Agricultural and Farmland	\$15,653	31%	60	7%
<b>Commercial and Commercial Real Estate</b>	<b>\$20,018</b>	<b>40%</b>	<b>144</b>	<b>15%</b>
<b>Consumer</b>	<b>\$10,222</b>	<b>21%</b>	<b>724</b>	<b>76%</b>
Residential Real Estate (1-4 Family)	\$4,101	8%	22	2%
TOTAL	\$49,994	100%	950	100%

Source: Bank-Reported Origination Spreadsheets

PNB has no legal or financial circumstances that impede the bank's ability to help meet AA credit needs. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks. The previous CRA evaluation on November 17, 2014 resulted in an overall Satisfactory rating.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The CRA evaluation period is January 1, 2016 through December 31, 2018. We evaluated PNB using Small Bank criteria, which collectively form the Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through lending activities using the following performance criteria: LTD ratio, lending in the AA, borrower distribution, geographic distribution, and responses to CRA-related complaints.



PNB's primary loan products are commercial loans by dollar and consumer loans by number. Due to census changes in 2017, we selected samples for each primary product from different year combinations: one for 2016, and one for 2017-2018. We sampled 51 commercial loans; 23 originated in 2016 and 28 in 2017-2018. We also sampled 60 consumer loans; 27 originated in 2016 and 33 in 2017-2018. Results from 2016 are evaluated against 2010 U.S. Census Data, and results from 2017-2018 are evaluated against 2015 U.S. Census Data.

## **Data Integrity**

We obtained accurate financial and geographic information directly from the bank's loan files.

## **Selection of Areas for Full-Scope Review**

PNB has one AA, Ochiltree County, which received a full-scope review.

## **Ratings**

The bank's overall rating is based on the Ochiltree County AA.

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

Pursuant to 12 C.F.R. §25.28(c), respectively, 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. 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 Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution 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.

## Conclusions with Respect to Performance Tests

### LENDING TEST

PNB's performance under the Lending Test is: **Satisfactory**.

#### Loan-to-Deposit (LTD) Ratio

PNB's net LTD ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. The bank's quarterly average LTD ratio for the 17 quarters from December 31, 2014 through December 31, 2018 was 35 percent, ranging from 26 percent to 40 percent on a steadily increasing trend. Similarly situated banks are those with assets between \$75 million and \$300 million operating in the northeast Texas Panhandle. Quarterly average net LTD ratios for these banks range from 19 percent to 78 percent, and average 57 percent.

Competition in the AA is strong with three banks and a credit union operating in the market. Drought conditions and low commodity prices hindered PNB's ability to make agricultural loans in 2014 and 2015. With improving conditions and commodity prices the bank's agricultural portfolio grew from \$6.8 million at year-end 2014 to \$13.2 million year-end 2018. Improvements in oil and gas prices have also benefited the local economy, allowing the bank to make more commercial and retail loans.

Institution	Total Assets (\$000s) As of 12/31/18	Quarterly Average Net LTD Ratio
<b>The Perryton National Bank</b>	<b>172,423</b>	<b>34.52</b>
First National Bank (Spearman)	226,100	77.72
First State Bank of Mobeetie	75,402	19.16
Interstate Bank, SSB	197,402	66.80
First State Bank (Spearman)	147,494	63.03

Source: Institution Reports of Condition from December 2014 to December 2018.

#### Lending in Assessment Area

A majority of PNB's loans, 92 percent by number and 77 percent by dollar, were extended to borrowers within the bank's AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	46	90	5	10	51	3,263	73	1,223	27	4,486
Consumer	56	93	4	7	60	1,120	94	68	6	1,188
<b>Totals</b>	<b>102</b>	<b>92</b>	<b>9</b>	<b>8</b>	<b>111</b>	<b>4,383</b>	<b>77</b>	<b>1,291</b>	<b>23</b>	<b>5,674</b>

Source: Loan samples.

## 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.

### Commercial Loans

PNB has an excellent penetration among businesses of different sizes within the AA. About 92 percent of the number of sampled business loans originated in 2017-2018 were to businesses with less than or equal to \$1 million in gross annual revenues, above the demographic comparator of 78 percent of AA businesses reporting revenues less than or equal to \$1 million. For loans originated in 2016, 76 percent of the number of sampled business loans were to businesses with less than or equal to \$1 million in gross annual revenues, slightly below census demographic information of 79 percent.

<b>Borrower Distribution of Loans to Businesses in Assessment Area (2017-2018)</b>				
Business Revenues (Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	78	6	16	100%
% of Bank Loans in AA by #	92	8	0	100%
% of Bank Loans in AA by \$	95	5	0	100%

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

<b>Borrower Distribution of Loans to Businesses in Assessment Area (2016)</b>				
Business Revenues (Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79	6	15	100%
% of Bank Loans in AA by #	76	24	0	100%
% of Bank Loans in AA by \$	55	45	0	100%

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

### Consumer Loans

PNB has a reasonable penetration among borrowers of different incomes within the AA. In 2017-2018, 16 percent of the number of loans sampled were to borrowers of moderate-income, which is above the demographic comparator of 13 percent. About 6 percent of the number of loans sampled were to borrowers of low-income, well below the demographic comparator of 18 percent. In 2016, 36 percent of the number of loans sampled were to borrowers of moderate-income far exceeding the demographic of 13 percent. About 4 percent of the number of loans sampled were to borrowers of low-income, well below the demographic of 22 percent, but reasonable considering the high volume in the moderate-income category.

<b>Borrower Distribution of Consumer Loans in Assessment Area (2017-2018)</b>								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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	18	6	13	16	16	29	53	48

Source: Loan sample; U.S. Census data.

<b>Borrower Distribution of Consumer Loans in Assessment Area (2016)</b>								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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	4	13	36	13	28	52	32

Source: Loan sample; U.S. Census data.

### **Geographic Distribution of Loans**

Because the AA does not have any low- or moderate-income CTs, 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. This has a neutral effect on CRA performance.

## 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 metropolitan and nonmetropolitan areas 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>	Lending Test (excludes CD loans): 1/1/2016 to 12/31/2018	
<b>Financial Institution</b>		<b>Products Reviewed</b>
The Perryton National Bank (PNB) Perryton, Texas		Commercial Loans, Consumer Loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Ochiltree County	Full-Scope	

## Appendix B: Community Profiles for Full-Scope Areas

### Ochiltree County Assessment Area

Demographic Information for Full-Scope Area: Ochiltree County (2017-2018)						
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
Owner-Occupied Housing by Geography	2,695	0.0	0.0	31.1	68.9	0.0
Businesses by Geography	741	0.0	0.0	40.5	59.5	0.0
Farms by Geography	81	0.0	0.0	8.6	91.4	0.0
Family Distribution by Income Level	2,770	18.5	13.0	19.5	49.0	0.0
Distribution of Low- and Moderate-Income Families throughout AA CTs	873	0.0	0.0	38.0	28.0	0.0
Median Family Income (MFI) FFIEC Updated MFI for 2016 Households Below the Poverty Level	= \$69,328 = \$56,500 = 14%	Median Housing Value Unemployment Rate		= \$83,298 = 3.66%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2015 U.S. Census, and FFIEC updated MFI.

Demographic Information for Full-Scope Area: Ochiltree County (2016)						
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	10,223	0.0	0.0	37.2	62.8	0.0
Owner-Occupied Housing by Geography	2,457	0.0	0.0	33.1	66.9	0.0
Businesses by Geography	799	0.0	0.0	40.3	59.7	0.0
Farms by Geography	107	0.0	0.0	6.5	93.5	0.0
Family Distribution by Income Level	2,510	17.5	13.4	16.6	52.5	0.0
Distribution of Low- and Moderate-Income Families throughout AA CTs	777	0.0	0.0	46.7	21.3	0.0
Median Family Income (MFI) FFIEC Updated MFI for 2016 Households Below the Poverty Level	= \$58,488 = \$52,400 = 15%	Median Housing Value Unemployment Rate		= \$79,296 = 5.48%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and FFIEC updated MFI.

PNB has designated Ochiltree County, Texas, as the bank's AA. Perryton is the county seat of Ochiltree County and the largest city in the AA. The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. The county has a population of 10,642. Demographic information for the AA shows that 18.5 percent of families are low-income, and 13 percent are moderate-income. About 14 percent of households are below the poverty level.

Perryton is a major producer of oil and natural gas along with being one of the largest producers of wheat and other agricultural products in the heart of the nation. Wheat, sorghum, cattle, and pork producers, as well as major oil and gas field industries are mainstays of the economy. Perryton Independent School District is the largest employer in the city with 368 employees followed by Seaboard Foods with 365 employees. Challenges for PNB include managing the economic impact of fluctuations in the agriculture and oil and gas industries. Oil and gas service companies have done well in the area recently with the increase in oil prices. Farmers fared well in the most recent crop season with favorable yields on milo, cotton, and corn. Cattle production is also profitable and local unemployment is at historical lows.

Competition for financial services in the market is strong. There are currently 4 other financial institutions in Ochiltree County. Firstbank Southwest has the largest percentage of market share per the FDIC at 38 percent. PNB ranks second at 30 percent, closely followed by Interstate Bank, SSB at 28 percent. First National Bank, Spearman has only 4.2 percent deposit market share, and the Northeast Panhandle Teachers Credit Union has a very small deposit base.

An individual representing an economic development organization in Perryton was interviewed 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 contact, there are no immediate credit needs in the community. The local economy is strong and banks in the area are providing funding when necessary to help expand and enhance the area's local economy, including local businesses and farmers.