



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 31, 2008**

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

The Perryton National Bank  
Charter Number 11595

825 South Main Street  
Perryton, TX 79070-0000

Office of the Comptroller of the Currency

LUBBOCK FIELD OFFICE  
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 (PNB) has a satisfactory performance record under the Community Reinvestment Act (CRA). This is supported by the following factors:

- PNB's loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in or near the assessment area (AA). The loan-to-deposit ratio averaged 44.72 percent during the evaluation period.
- A substantial majority of PNB's loans are located within the AA. Based on a sample of fifty-five loans, 89.1 percent of the number of loans and 95.6 percent of the dollar volume of loans were to borrowers within the AA.
- PNB's distribution of loans to farms with gross revenues of less than \$1 million is reasonable. The bank has an excellent penetration of loans to consumers in low- and moderate-income households.

**SCOPE OF EXAMINATION**

We completed a CRA examination using full scope procedures outlined in the Comptroller's handbook. In addition, a sample was drawn from the bank's two primary loan products to determine the level of lending inside the bank's AA, and to evaluate the distribution of loans to borrowers in different income categories.

**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 \$101 million as of December 31, 2007.

PNB is a full service bank operating from only one location in Perryton, which includes a drive-up facility and an ATM. At the previous CRA examination in October of 2002, the bank was rated satisfactory. 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 its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

The bank provides all customary banking services, including a wide variety of both loan and deposit accounts. The bank provides 24-hour access to banking services through its website at [www.perrytonbank.com](http://www.perrytonbank.com). Services include account balance inquiries, funds transfer activities, and bill pay services. PNB also has a 24-hour telebanking service.

PNB holds approximately 30 percent of deposits in the AA. As of December 30, 2007, PNB had total assets of \$101 million, with net loans and leases comprising 28.6 percent of this total. The

bank's loan products include business, farm, consumer, and residential real estate loans. The following table depicts PNB's loan portfolio composition.

<b>Loan Portfolio Composition as of February 29, 2008</b>		
<b>Loan Type</b>	<b>\$ (000)</b>	<b>%</b>
Agriculture	7,437	25.63
Consumer	7,398	25.49
Commercial	6,893	23.75
Commercial Real Estate	2,672	9.21
Residential Real Estate	2,110	7.27
Agriculture Real Estate	1,820	6.27
Political Subdivisions	690	2.38
<b>TOTAL</b>	<b>29,020</b>	<b>100.00%</b>

*Source: December 30, 2007 Report of Condition*

## **DESCRIPTION OF OCHILTREE COUNTY**

The Board of PNB has established Ochiltree County, Texas as the bank's AA. This area meets the regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

The county has a population of approximately 9,006 with approximately 8,000 living in the City of Perryton. Population totals have changed very little over the last ten years. 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	2,509
Number of Households	3,275
<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>	
2000 MFI for AA	36,380
2007 HUD-Adjusted MFI	41,800
2006 HUD-Adjusted MFI	43,100
2004 & 2005 HUD-Adjusted MFI	42,000
<i>Economic Indicators</i>	
Unemployment Rate	2.23%
2007 Median Housing Value	\$47,869
% of Households Below Poverty Level	11.15%

*Source: 2000 Census data and HUD updated income data*

There are three census tracts in the AA, one designated as middle-income, and two designated as upper-income. No specific areas were designated as low- or moderate-income as of the 2000 census. However, demographic information of the AA shows that 15.6 percent of families are low-income, and 13.83 percent of families are moderate-income. The unemployment rate is 2.23

percent and 11.15 percent of households are below the poverty level as of the 2000 census. The 2002 HUD-Adjusted median family income is \$41,800.

In addition to PNB, two state chartered 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 AA. This results in a significant level of competition for loans in the area.

The AA is reliant on both the agriculture industry and the oil and gas industry. The economic conditions are robust and the outlook is positive. 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, and there are many oil field service companies that employ a number of people. The local retail business climate in the AA remains very good. In addition to the local population, consumers outside of the AA travel to Perryton for retail services.

As part of this CRA examination, a community contact was made for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. According to the contact, the immediate credit needs of the community are being fulfilled. The contact stated that the local banks were responsive in meeting the needs of the local community. The community contact 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. Housing, in general, is reported as adequate. However, the contact indicated that there is a need for low- and moderate-income housing. The contact stated that there are a few new homes being built, but those are generally pre-sold.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

This Performance Evaluation (PE) assesses PNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to consumers and farms of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate PNB's lending performance, a sample of 55 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 29 consumer loans and 26 farm loans. Based on the analysis and consistent with available resources and capabilities, PNB is meeting the credit needs of the AA in a satisfactory manner.

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

PNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the quarterly average loan-to-deposit ratio from September 31, 2002 through December 30, 2007 of 44.72 percent. During the evaluation period, PNB's loan-to-deposit ratio ranged from a low of 32.52 percent to a high of 56.58 percent.

The quarterly average loan-to-deposit ratio for banks in geographies similar to the AA is depicted below. Please note that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 12/31/07)	Average Loan-to-Deposit Ratio
First National Bank of Spearman	\$96,911	61.74%
First State Bank of Spearman	\$90,884	54.88%
The First National Bank of Canadian	\$101,018	34.42%
<b>The Perryton National Bank</b>	<b>\$101,499</b>	<b>44.72%</b>

Source: Institution Reports of Condition from September 2002 to December 2007

### Lending in Assessment Area

PNB's lending in their AA exceeds the standards for satisfactory performance. A substantial majority of the bank's loans were made within its AA. In order to assess performance for this criterion, we reviewed 26 farm and 29 consumer loans originated between January 2004 and December 2007. Our analysis determined that 89.1 percent of the number of loans and 95.6 percent of the dollar amount of loans in the sample were originated within the bank's AA. The breakdown by loan category is depicted in the following table.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	27	93.10	2	6.90	100.0	\$250,005	87.69	\$35,100	12.31	100.0
Farm	22	84.62	4	15.38	100.0	\$2,662,156	96.42	\$98,728	3.58	100.0
Totals	49	89.09	6	10.91	100.0	\$2,912,161	95.61	\$133,829	4.39	100.0

Source: Sample of loans used for CRA performance analysis

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

PNB's loan portfolio reflects an excellent distribution among borrowers of various income levels and farms of different sizes within their AA. To perform our analysis, we reviewed income information of 22 farm and 21 consumer loans in the AA.

Farm Loans - Based on 2007 Business Demographic Data, there are 113 farms within the AA. Of this number, 95.58 percent of farms reported revenues less than or equal to \$1 million. Of the loans in the farm sample, 90.91 percent were to farms reporting annual revenues below \$1 million. This level is comparable with the AA and reflects a reasonable penetration of loans to small farms.

<b>Borrower Distribution of Farm Loans in Ochiltree County</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	95.58%	3.54%	0.88%	100%
% of Bank Loans in AA by #	90.91%	9.09%	0%	100%
% of Bank Loans in AA by \$	90.42%	9.58%	0%	100%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans – Our analysis reflects an excellent distribution of consumer loans to low- and moderate-income households. Based on 2000 Census information, 31.91 percent of households in the AA are low- and moderate-income. Our review determined that 42.86 percent of consumer loans were made to low- and moderate-income households. This distribution exceeds the income characteristics of the AA.

<b>Borrower Distribution of Consumer Loans in Ochiltree County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	18.11%	23.81%	13.80%	19.05%	16.52%	38.10%	51.57%	19.05%

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

**Geographic Distribution of Loans**

Because no census tracts are identified as low- or moderate-income, this analysis was not considered meaningful, and therefore it was not performed.

**Responses to Complaints**

No complaints relating to CRA performance have been received by PNB during the evaluation period. PNB has systems in place to ensure that complaints are addressed in a timely manner.

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

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