

PUBLIC DISCLOSURE

November 15, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Eastman National Bank of Newkirk
Charter Number 9011
102 South Main Street
Newkirk, Oklahoma 74647**

**Office of the Comptroller of the Currency
South Kansas Field Office
3450 North Rock Road, Suite 505
Wichita, Kansas 67226**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Eastman National Bank of Newkirk**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 15, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

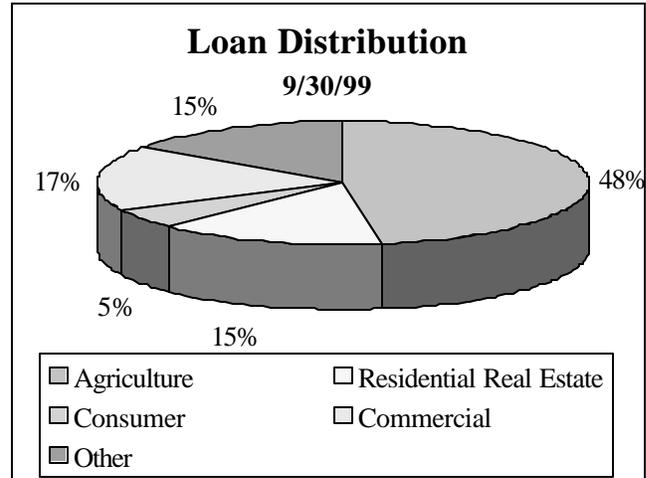
INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory.**”

The bank has a satisfactory record of meeting the credit needs of its Assessment Area.

- The bank’s loan to deposit ratio is fair but increasing. The bank’s ratio has increased from 32% at the last evaluation in 1996, to 40% at June 30, 1999, primarily because of new loan products.
- The number and volume of loans originated in the assessment area is satisfactory. Eighty-four percent of the number and 81% of the volume of loans sampled were within the bank’s assessment area.
- The level of lending to borrowers of different income levels is good. A sample of residential real estate loans indicated 19% were granted to low-income, and 24% were granted to moderate-income individuals. These levels are above the population demographics in the Assessment Area (AA).
- Lending to agricultural borrowers of different sizes is satisfactory. A sample of agricultural loan originations indicated 50% were advanced to borrowers with gross revenues of less than \$100,000. This is below the agricultural census data from 1997; however, the bank does not collect gross sales information on all of its farm borrowers.

DESCRIPTION OF INSTITUTION

The Eastman National Bank of Newkirk (Eastman) is a \$40 million financial institution located in the city of Newkirk, Oklahoma. Eastman is one of two financial institutions in Newkirk. The bank, an automated teller machine, and drive-in facility are located in downtown Newkirk. Eastman is a subsidiary of Eastman National Bancshares Inc., a \$5 million bank holding company. The bank is a full service financial institution, providing a variety of loan and deposit products with an emphasis on residential real estate loans. Net loans represent 34%, or \$13.9 million, of the bank's total assets. The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its AA. At the previous CRA examination dated September 23, 1996; Eastman received a "Satisfactory record of Meeting Community Credit Needs" rating. The table at the right illustrates the bank's loan distribution.



DESCRIPTION OF ASSESSMENT AREA

Eastman is located in Kay County in north central Oklahoma and is not in a Metropolitan Statistical Area. Kay County consists of six Census Tracts (CT). The bank's AA consists of CTs seven and eight located in the northeast corner of the county. Census Tract seven with a population of 885, is upper-income, and CT eight, with a population of 3,564, is a middle-income tract. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. Bank management indicated the AA is primarily agricultural dependent. Significant employers in the area include the school district, city and county governments, and the Newkirk Farmers Cooperative. Employment is also available at nearby Arkansas City, KS, and Ponca City, OK. Eastman is the only bank headquartered in the AA. A branch of a larger statewide institution also serves Newkirk. Six other commercial banks headquartered in Ponca City and Blackwell, OK, and Arkansas City, KS, provide strong competition. Management indicated the local economy for the area is fair with low unemployment. Prices for commodities continue to be below average, which has an adverse impact, but good crop yields and agricultural assistance programs have helped offset this the past two years. The Oklahoma statewide non-metropolitan median family income is \$32,700 for 1999. Based on 1990 census information, the population of the AA is 4,449. Fourteen percent of families in the AA are considered low-income while 17% are moderate-income.

Middle-income families also make up 22% of the AA while upper-income families comprise the remaining 48%. Households with income below the poverty level represent 15% of total households. Persons over sixty-five years of age make up 17% of the AA's population. The median housing cost for the AA is \$42,600 with 65% of the homes being owner occupied.

Four community contacts from the area did not identify any specific credit needs that were not being met. All contacts indicated that the local financial institutions participate and are involved in their respective communities. The contacts specifically identified Eastman as the leader in community activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's level of lending is reasonable considering the population demographics and loan demand in the area. Since the previous CRA examination, the bank's quarterly average loan-to-deposit ratio is 36%. Eastman's ratio has increased from 32% as of September 30, 1996, to a high of 40% at June 30, 1999. No other banks are headquartered in the AA. Eastman's relatively low loan-to-deposit ratio is mitigated by the static nature of the local economy. In addition, the bank's loan-to-deposit ratio is understated. Approximately 12% of total deposits are public funds. The large size of these accounts and fluctuating balances makes them somewhat volatile. Adjusting out the public funds brings the loan-to-deposit ratio to 45%. Other factors contributing to the low loan-to-deposit ratio are the declining population base of the AA, and the low level of available housing. Management has improved the loan-to-deposit ratio by offering longer-term fixed rate mortgages. A bank analysis indicated Eastman made 42% of the residential loans in the AA during 1998. Eastman was by far the largest single lender in terms of dollars and number of loans during this time. Examiners counted 37 other mortgagees recording mortgages in the AA. No other single lender approached the volume of Eastman. Eastman also offers a small loan program where loans below \$680 are available for a fee only. Management states low-income borrowers utilize all of these loans. The bank also participates in government loan programs such as the Small Business Administration, FHA Title 1, and FMHA guaranteed loans. Eastman offers financing through the United States Department of Agriculture programs including a leveraged loan program where 100% financing is available to qualified low-income borrowers. Management also has a program organized by the U.S. Department of Housing and Urban Development entitled "Indian Housing Loan Guarantee Program". This program will make real estate financing available to Native Americans on favorable terms. The bank regularly runs large ads in the local newspaper offering agricultural and real estate loans as well as other banking services. Eastman also maintains a billboard advertising agricultural loans at the local cattle sale barn.

Lending in Assessment Area

Eastman extends a majority of its loans within its AA. Examiners used the bank's internal zip code reports to determine that 84% of the number and 81% of the volume of all loans originated from the previous evaluation to November 1999 were in the AA. In addition, examiners used a judgmental loan sample of the bank's primary product line, real estate lending, and a sample of agricultural loans to determine the bank's lending performance in the AA. These samples were also taken from the previous evaluation to November 1999. From the sample of agriculture and residential loans reviewed, examiners determined the bank's zip code reports are an accurate reflection of the bank's lending performance in the AA.

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

Lending to borrowers of different incomes and agricultural operations of different sizes is satisfactory. One of the bank's primary products is agricultural lending. Examiners reviewed a judgmental sample of 16 agricultural loans granted in the AA from the previous evaluation to November 1999. The sample included all loans where gross sales could be determined. Agriculture Census data from 1997 shows that 82% of farms in all of Kay County have annual gross revenues less than \$100,000. The percentage of the bank's loan originations to borrowers in the AA with annual gross revenues less than \$100,000 is satisfactory at 50%, but below the demographics. The following table shows the distribution. Eastman's actual lending to small farms may be larger than 50%, but management does not collect gross sales information on all agricultural borrowers.

Agricultural Gross Revenue	Number of Loans	Percentage	Gross Revenue Distribution-All Kay County
Less than \$100,000	8	50%	82%
Greater than \$100,000	8	50%	18%
Total	16	100%	100%

The bank has a good record of granting 1-4 family residential real estate loans to borrowers of different income levels. Examiners reviewed a judgmental sample of twenty-one 1-4 family residential real estate home purchase loans originated in the AA from the previous examination to October 1999. The bank's lending to low- and moderate-income borrowers is good. The following table shows the distribution.

Distribution of 1-4 family Residential Real Estate Loans			
Income Levels	Number of Customers	Percentage of sample	Percentage of Families in Income Category
Low	4	19%	14%
Moderate	5	24%	17%
Middle	5	24%	22%
Upper	7	33%	47%
Total	21	100%	100%

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans would not be meaningful, as the AA is comprised of one upper- and one middle-income CT.

Response to Complaints

The bank has not received any CRA related complaints since the previous CRA evaluation.

Compliance with Anti-Discrimination Laws and Regulations

Based on our review of used auto loans to individual male and female applicants, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of prohibited discrimination or other illegal credit practices.