



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 23, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Eastman National Bank of Newkirk
Charter # 9011
100 South Main Street
Newkirk, Oklahoma 74647**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza
500 North Akard Street
Dallas, Texas 75201-3394**

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, Newkirk, Oklahoma**, prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 23, 1996. 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 following table indicates the performance level of The Eastman National Bank of Newkirk, Newkirk, Oklahoma with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE EASTMAN NATIONAL BANK OF NEWKIRK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio			X
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the prior examination		

DESCRIPTION OF INSTITUTION

The Eastman National Bank of Newkirk (ENB) is located in Newkirk, Oklahoma. It is a subsidiary of Eastman National Bancshares, Inc., a \$4 million bank holding company. The bank, drive-in facility and an automated teller machine (ATM) are located in downtown Newkirk. The bank's primary focus is to serve commercial and consumer customers in the Newkirk area. The bank meets these needs by providing various loan and deposit products as well as other financial services.

As of June 30, 1996, ENB's total assets equaled \$37 million, of which \$12 million, or 32% of total assets, were composed of various types of loans to individuals and businesses. The \$12 million in loans outstanding were composed of \$3.6 million of residential real estate (30%), \$2.6 million of commercial/agriculture real estate (22%), \$4.0 million of general commercial or agriculture (33%), and \$1.8 million of general consumer (15%).

There are no known factors which have, or may impede the bank's ability to meet the credit needs of its assessment area. The previous review of the bank's performance under the Community Reinvestment Act was November 30, 1993.

DESCRIPTION OF THE ASSESSMENT AREA:

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income areas. It is described as follows:

Newkirk Assessment Area

This area is identified as census tracts 7 and 8 located in Kay County, Oklahoma. This territory is not located in a Metropolitan Statistical Area (MSA). Tract 8 consists of an area surrounding Newkirk, west of the Arkansas River and Kaw Reservoir. Tract 7 is the eastern portion of the northeast quadrant of Kay county, which lies east of the Arkansas River and Kaw Reservoir. Tract 8 contains the bank, ATM, and drive-in facility.

The assessment area contains one middle and one upper income census tract according to the U.S. Census Bureau. An analysis of the income categories of the 1,736 households in the assessment area determined 81% are located in the middle income tract and 19% are located in the upper income tract. A breakdown of the household incomes within the assessment area indicates that 13.70% are low income, 16.62% are moderate income, 21.65% are middle income, and 48.03% are upper income. The median family income is \$28,922 per year. Major employers are the Newkirk Farmers Cooperative, Newkirk Public Schools, Oklahoma Department of Human Services, and Kay County. Unemployment is low at 2% compared to the national average of 5%. A branch of a regional bank is located in downtown Newkirk.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Consistent with its resources and capabilities, the bank is satisfactorily meeting the credits needs of the each assessment area, including those of low and moderate income individuals.

Loan to Deposit Ratio

The bank's loan-to-deposit ratio is below that of similar banks in the area. The average quarterly loan-to-deposit ratio from December 30, 1993 through June 30, 1996 for ENB shows only a slight improvement, from 30% to 34% respectively.

Data Compared	The Eastman National Bank of Newkirk	Avg of 25 Comparable Banks in Kay & Surrounding Counties
Qtrly Loan/Deposit Average 12/93 - 6/96	33.51%	54.72%
Loan/Deposit Ratio at 6/96	34.36%	57.53%

Only two of the 25 similar banks in the area had loan-to-deposit ratios less than ENB while 23 banks had ratios greater. The loan-to-deposit ratio of the 25 banks ranged from 13% to 83%. The low loan to deposit ratio is attributed to the bank's conservative lending philosophies.

Lending in Assessment Areas

A substantial majority of credit extended is within the bank's assessment area. Analysis of a random sample of 41 loans which have been extended during the past year noted the following results:

Location of Loans Extended	# of Loans Extended	# Loans Extended as % of Total
Inside - Consumer	28	87.50%
Outside - Consumer	4	12.50%
TOTAL CONSUMER	32	100.00%
Inside - Commercial	9	100.00%
Outside - Commercial	0	0.00%
TOTAL COM'L	9	100.00%
GRAND TOTAL - INSIDE	37	90.24%
GRAND TOTAL - OUTSIDE	4	9.76%
GRAND TOTAL	41	100.00%

Additionally, at September 30, 1996, 79% (656 of 830) of the total number of loans in the loan portfolio and 82% of the total dollar volume of the portfolio (\$8.7 million of \$10.5 million) were extended to individuals and businesses located within the bank's assessment area.

Lending to Borrowers of Different Incomes

The distribution of loans to individuals and businesses of different income levels within the assessment area is reasonable. The percentage of loans provided to individuals and businesses with low and moderate incomes compares favorably to the actual percentages of those groups in the general population. The following information, using data from the random sample of loans selected for review, illustrates this conclusion.

Assessment Area Income Level	# of Loans Extended in Income Tract	# Loans Extended in Tract as % of Total	Household s in Assessmen t Area by Income Level	Household s in Assessment Area by Income as % of Total
Low	7	20.59%	238	13.70%
Moderate	10	29.41%	289	16.62%
Middle	8	23.53%	376	21.65%
Upper	9	26.47%	833	48.03%
TOTAL	34	100.00%	1,736	100.00%

Additionally, the sample of commercial and agricultural loans reviewed found that 8 out of 9 of these loans were extended to small businesses with annual gross revenues of less than \$1 million per year.

Geographic Distribution of Loans

The review of compliance with the fair lending laws found that the bank has effected a reasonable distribution of credit throughout the area, including low and moderate income neighborhoods. This analysis revealed substantial compliance with all provisions of the anti-discrimination laws and regulations. The board and management have developed adequate policies, procedures, and training programs to preclude discriminatory or other illegal credit practices.

Responses to Complaints

No complaints concerning CRA have been received since the September 1993 examination.