



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 28, 2008**

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

The Eastman National Bank of Newkirk  
Charter Number 9011

102 S Main  
Newkirk, OK 74647

Office of the Comptroller of the Currency

WICHITA FIELD OFFICE  
3450 North Rock Road Suite 505  
Wichita, KS 67226-1355

**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.**

- The Eastman National Bank of Newkirk's average quarterly loan-to-deposit ratio is reasonable. The bank's average quarterly loan-to-deposit ratio is 66% compared to 77% for competitor banks in the assessment area.
- The Eastman National Bank's lending in the assessment area is good as it extended a majority of its primary loan products to borrowers located in the assessment area. Specifically, we found that Eastman National Bank made 73% of the number and 75% of the dollar amount of loans to borrowers located in the assessment area.
- The Eastman National Bank demonstrated adequate levels of lending to borrowers of different incomes and businesses of different sizes. The bank's level of residential real estate lending to borrowers of different incomes is reasonable. The volume of lending to businesses of different sizes in the assessment area is reasonable.
- The Eastman National Bank's lending level in moderate-income tracts is good. The geographic distribution of 1-4 family residential real estate loans is excellent. The geographic distribution of commercial loans in Eastman's assessment area is good.

**SCOPE OF EXAMINATION**

We performed a full-scope evaluation of Eastman National Bank of Newkirk's assessment area using Small Bank Community Reinvestment Act procedures.

**DESCRIPTION OF INSTITUTION**

The Eastman National Bank of Newkirk (Eastman) is a \$136 million financial institution located in Newkirk, Oklahoma. Eastman has two branches located in Ponca City, Oklahoma. All branches have a drive-through facility and cash-dispensing only automated teller machines. Eastman National Bancshares, a one-bank holding company, owns 100% of the bank. As of December 31, 2007, the holding company had total assets of \$136 million.

Eastman is a full service financial institution offering a variety of loans. Net loans represent 73% of total assets. As of December 31, 2007, Eastman's \$100 million loan portfolio had the following composition: 60% residential real estate, 25% commercial, 8% individual and other, and 7% agriculture. Eastman has not changed any existing loan products since the previous Community Reinvestment Act (CRA) examination. Examiners determined the primary loan products, based on the number and dollar volume granted during the previous two calendar years and year-to-date 2008, are residential real estate and commercial loans.

Eastman's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. We assigned a "Satisfactory" rating at the December 5, 2003, CRA examination.

## **DESCRIPTION OF ASSESSMENT AREA**

Eastman National Bank's assessment area (AA) is comprised of census tracts one through eight in Kay County, Oklahoma. The county is not in a Metropolitan Statistical Area (MSA). The AA contains three upper-, five middle-, and one moderate-income census tracts. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. Management plans to add census tracts nine through eleven to include all of Kay County as apart of the bank's AA.

The 2000 U.S. Census population of the AA was 48,080. The Oklahoma state-wide non-MSA median income for 2007 is \$42,400. The income distribution for families in the AA is 18% low-income, 16% moderate-income, 19% middle-income, and 47% upper-income. Of the 13,941 households in the AA, 33% receive social security, 14% have income below poverty level, and 5% receive public assistance. Thirty-one percent (31%) of the population is not in the work force and 17% is over the age of 65.

The median housing value is \$58,591 and 64% of the housing units are owner-occupied. The local economy is stable. Both Ponca City and Newkirk benefit from large employers such as Conoco Phillips and several casinos in the area. There is strong job competition in the area which has increased entry level wages. The housing market in both locations is competitive due to high occupancy rates. The Oklahoma unemployment rate of 3.2% for March 2008 is less than the nationwide rate of 5.1%.

The level of competition in the bank's AA is driven by a number of other banks and financial institutions with offices in the AA. With 12% of the area's deposits, the bank ranks third in deposit market share.

Examiners contacted one community professional. The contact indicated Eastman is actively involved in the community. The contact identified residential real estate and commercial loans as two of the area's primary credit needs, and indicated that area banks are meeting those needs.

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

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

Eastman's level of lending is reasonable. The bank's average quarterly loan-to-deposit ratio (LTD) since the last CRA exam is 66%. The average quarterly LTD ratio for three competitor banks in the AA is 77%. The average quarterly LTD ratio for the competitor banks range from 53% to 97%.

While Eastman's quarterly average LTD ratio is below that of competitor banks, it is still considered reasonable. Two of the competitor banks have the ability to lend in areas outside the AA through loan production offices and branches.

### Lending in Assessment Area

The bank's lending in the AA is good as it extended a majority of its primary loan products to borrowers located in the AA. Specifically, we found that Eastman made 73% of the number and 75% of the dollar amount of loans in the AA. The sample included 40 loans originated, purchased, or committed during 2006, 2007, and year-to-date 2008. The loan sample included 20 loans of each of the two primary products.

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

Lending levels to borrowers of different incomes and businesses of different sizes are good. To assess the bank's performance, examiners selected a sample of 20 residential real estate loans and 20 commercial loans. These products represent the majority of the loans originated from January 1, 2006 to year-to-date 2008.

Eastman's level of residential real estate lending to borrowers of different incomes is reasonable. Lending to low-income borrowers is poor at 5% compared to area demographics of 18%. However management did not obtain income information on 35% of the loan sample, which might improve the bank's position. Lending volume to moderate-income borrowers is in line with area demographics. The AA demographics reveal that 16% of the families are moderate-income and 15% of the loans in the sample were to moderate-income borrowers.

<b>Borrower Distribution of Residential Real Estate Loans in Eastman's Assessment Area</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
I -4 Family Residential RE	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans
% of Total	18%	5%	16%	15%	19%	5%	47%	40%	35%

*Source: Loan sample and 2000 U.S. Census data*

Due to the amount of missing income information on borrowers purchasing residential real estate, we also analyzed the sample by using the loan amount as a proxy for income information. The bank's lending to borrowers of different income levels is reasonable. The residential real estate sample shows 40% of the number and 5% of the dollar amount of loans were for \$20,000 or less.

<b>Borrower Distribution of Residential Real Estate Loans by Loan Size in Eastman's Assessment Area.</b>				
Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans	% of Dollars
\$0 - \$20,000	8	40%	92,454	5%
\$20,001 - \$40,000	2	10%	56,927	3%
\$40,001 - \$60,000	3	15%	138,709	8%
\$60,001 - \$80,000	4	20%	279,056	16%
\$80,001 - \$1,000,000	3	15%	1,206,850	68%
Total	20	100%	1,773,996	100%

Source: Loan Sample

The volume of lending to businesses of different sizes in the AA is reasonable. The commercial loan sample shows 25% of the number and 14% of the dollar amount of loans were granted to businesses with revenues less than one million dollars. Eastman's performance is below the business demographic data that shows 55% of the commercial businesses have annual gross revenues of \$1 million or less, with 41% of the businesses having unavailable or unknown revenues. However the bank did not obtain revenue information on 75% of the borrowers; this information could improve the bank's position.

<b>Borrower Distribution to Businesses in Eastman's Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailabl e	Total
% of AA Businesses	55%	4%	41%	100%
% of Bank Loans in AA by #	25%	0%	75%	100%
% of Bank Loans in AA by \$	14%	0%	86%	100%

Source: Loan sample and 2007 Business Geodemographic data

Due to the amount of missing revenue information on loans to businesses, we also analyzed the commercial sample by using the loan amount as a proxy for revenue information. The bank's lending to small businesses is good. The commercial sample shows 95% of the number and 57% of the dollar amount of loans were for less than \$60,000.

<b>Borrower Distribution of Loans to Businesses by Loan Size in Eastman’s Assessment Area</b>				
Loan Size	Number of loans	Percent of Number	Dollar Volume of Loans	% of Dollars
\$0 - \$20,000	10	50%	\$82,681	12%
\$20,001 - \$40,000	7	35%	\$213,664	31%
\$40,001 - \$60,000	2	10%	\$94,462	14%
\$60,001 - \$80,000	0	0%	\$0	0%
\$80,001 - \$300,000	1	5%	\$292,352	43%
Total	20	100%	\$683,159	100%

Source: Loan sample

### Geographic Distribution of Loans

An analysis of the geographic distribution of credit within the bank indicates the bank has good penetration to borrowers and businesses in moderate-income tracts. The bank’s AA does not contain any low-income tracts.

The geographic distribution of 1-4 family residential real estate loans is excellent. The bank extended 15% of its loans to borrowers in moderate-income tracts. This compares favorably to the demographics showing that 6% of the owner-occupied houses are in moderate-income tracts.

<b>Geographic Distribution of Residential Real Estate Loans in Eastman’s Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
1 - 4 Family Residential RE	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
% of Total	0%	0%	6%	15%	51%	50%	43%	35%

Source: Loan sample and 2000 Census data

The geographic distribution of commercial loans in Eastman’s AA is good. The bank extended 21% of the number of commercial loans to businesses located in moderate-income tracts. This compares favorably to the demographics showing that 18% of the AA businesses are located in moderate-income tracts.

Geographic Distribution of Commercial Loans in Eastman’s Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Commercial Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	0%	0%	18%	21%	42%	47%	40%	32%

Source: Loan sample and 2007 Business Geodemographic Data

**Responses to Complaints**

The Eastman National Bank has not received and CRA-related complaints since the previous CRA examination.

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

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