



PUBLIC DISCLOSURE

June 23, 2014

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

8282 South Memorial Drive
Suite 300
Tulsa, OK 74133

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 major factors supporting the institution's rating include the following:

- The loan-to-deposit (LTD) ratio is *reasonable* based on the bank's performance context and lending opportunities within its assessment area (AA).
- A *substantial majority* of the bank's loans originated during the review period are inside the bank's AA.
- The bank's distribution of loans reflects *reasonable penetration* of loan originations among borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a *reasonable dispersion* of loans in most census tracts throughout the bank's AA.

SCOPE OF CRA EVALUATION

We evaluated The Eastman National Bank of Newkirk (ENB) using the Small Bank standards for assessing performance. ENB's primary loan products include commercial real estate loans and residential real estate loans. The lending test evaluates the bank's record of meeting the credit needs of its AA, and we assessed the bank's performance under this test using a loan sample comprising twenty residential loans and twenty commercial real estate (CRE) loans originated from January 2, 2012 through December 31, 2013. ENB is not required to report under the Home Mortgage Disclosure Act (HMDA). The sample is representative of the bank's business strategy since the last CRA Performance Evaluation.

A CRA Performance Evaluation was last prepared April 28, 2008, and a "Satisfactory" rating was assigned. There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs in the AA.

DESCRIPTION OF INSTITUTION

ENB is a \$233 million community bank headquartered in Newkirk, Oklahoma, and a subsidiary of Eastman National Bancshares, Inc., a one-bank holding company. The bank provides services to the community from three full-service facilities, all within the AA. The main bank is located in a moderate-income census tract in Newkirk, Oklahoma, and two others are located in middle-income census tracts in Ponca City, Oklahoma, approximately 15 miles south of Newkirk. ENB has three 24-hour ATM's similarly positioned at the facilities. The bank's lending strategy focuses on 1-4 family residential real estate loans, commercial real estate loans, commercial and industrial business loans, and agricultural production loans to meet the credit needs of the community.

ENB offers a diverse line of loan and deposit services during reasonable hours, Monday through Saturday. ENB also offers banking services by telephone and the internet. Based on a June 30, 2013 Federal Deposit Insurance Corporation (FDIC) Market Share Report, the bank's presence in the Kay County AA is moderate, as they have 20 percent of the deposit market share in the AA.

The table below shows the composition of the bank's loan portfolio, which represents approximately 65 percent of total assets as of March 31, 2014. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Type	Dollar (000's)	% of Portfolio
Construction and Land Development	\$6,636	4.49%
Farmland	\$4,358	2.95%
1-4 Family Real Estate	\$38,585	26.11%
Commercial Real Estate (CRE)	\$38,865	26.30%
Multifamily Residential	\$4,248	2.87%
Agricultural Production	\$11,557	7.82%
Commercial and Industrial	\$35,277	23.87%
Consumer Loans	\$7,683	5.20%
Other	\$553	0.39%
Total Loan Portfolio	\$147,762	100%

Source: March 31, 2014 Consolidated Reports of Condition and Income

DESCRIPTION OF ASSESSMENT AREA

ENB's AA comprises all of Kay County Oklahoma, and includes nine complete census tracts. Two are moderate-income tracts, five are middle-income tracts, and two are upper-income tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate-income geographies. The level of banking competition in the AA is high and includes a number of commercial state-chartered banks, national banks, and branches of non-local banks. Economic conditions in the AA are generally stable and the County has not experienced any significant population growth since the previous CRA Performance Evaluation. The economy has been, and remains to a certain extent reliant on the petroleum industry, agriculture, and light manufacturing. Significant employers include ConocoPhillips, Phillips66, and several casinos in the county.

The following table describes the demographic and economic characteristics of this AA.

<i>Demographic Information – Kay County OK AA</i>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	9	0	22%	56%	22%
Population by Geography	38,110	0	22%	57%	21%
Owner-Occupied Housing by Geography	17,744	0	17%	56%	27%
Businesses by Geography	3,739	0	23%	54%	23%
Farms by Geography	230	0	6%	74%	20%
Family Distribution by Income Level	10,262	19%	17%	21%	43%
Household Distribution by Income Level	15,308	22%	16%	18%	44%
Weighted average of Median Family Income (MFI)	\$51,759	Median Housing Value 2012			\$80,710
Weighted average of HUD updated MFI: 2012	\$49,500	Households Below the Poverty Level			14%

Source: 2012 Geo-demographic Data; 2010 United States Census Data

Community Contact

We contacted a local community leader in the AA to get a better understanding of the general community credit and development needs, and discuss local economic conditions. The contact stated all banks are active in the community and responsive to the credit needs of the residents within the AA. The contact also stated all financial institutions in the community are proactive in helping local schools, civic organizations, and local businesses. The contact also indicated that a new housing development is active in the Ponca City area, that retail businesses are doing well and noted an increase in sales revenue in the bank’s AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

ENB’s LTD ratio is *reasonable*, relative to their financial condition, local banking competition, and credit needs of the AA. Overall, loan demand in Kay County is moderate. Since the previous CRA Performance Evaluation, the bank’s quarterly average LTD ratio averaged 84 percent, compared to a 72 percent aggregate average by five other competing banks in the AA during the same period.

Institution	Total Assets as of December, 2013 (\$000's)	Average LTD Ratio
The Eastman National Bank of Newkirk	\$227,065	84%
First National Bank of Oklahoma	\$279,070	82%
Central National Bank & Trust Co. of Enid	\$591,462	87%
Bank of America, National Association	\$1,433,716,000	70%
RCB Bank	\$2,117,597	56%
BancFirst	\$6,020,216	66%

Source: Consolidated Reports of Condition and Income; Uniform Bank Performance Report

Lending in Assessment Area

Our loan sample reveals that a *substantial majority* of loans originated during the review period are inside the bank's AA. The aggregate sample consisted of forty loans comprising twenty 1-4 family residential purchase loans, and twenty commercial real estate loans. The following table presents a more specific identification of loan types within and outside of the bank's AA.

Loan Type	Number of Loans					Dollars of Loans (\$000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	19	95%	1	5%	20	\$1,775	99%	\$10	1%	\$1,785
CRE	18	90%	2	10%	20	\$7,213	92%	\$654	8%	\$7,867
Totals	37	93%	3	7%	40	\$8,988	93%	\$664	7%	\$9,652

Source: Data from loan sample.

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

Lending patterns during the review period indicate a *reasonable penetration* of loan originations among borrowers of different income levels and businesses of different sizes. HUD annually updates census income information to reflect current family income levels for residential real estate loan comparisons. The 2010 census provides income information for businesses. The following tables present a more specific identification of loan distribution patterns among borrowers within the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Home Purchase	19%	32%	17%	21%	21%	21%	43%	26%

Source loan sample; United States Census data; data from loan sample.

Table 2A - Borrower Distribution of Loans to Businesses in Kay County OK AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	74%	4%	22%	100%
% of Bank Loans in AA by #	83%	17%	0%	100%
% of Bank Loans in AA by \$	90%	10%	0%	100%

Source: Data from loan sample; Dunn and Bradstreet data.

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Kay County OK AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Level of Loans	Percent of Dollar Volume
\$0 - \$100,000	2	11%	\$131,704	2%
\$100,001 - \$250,000	5	28%	\$768,336	10%
\$250,001 - \$500,000	7	39%	\$2,210,140	31%
\$500,001 - \$1,000,000	2	11%	\$1,872,511	26%
Over \$1,000,000	2	11%	\$2,229,920	31%
Total	18	100%	\$7,212,611	100%

Source: Data from loan sample.

Geographic Distribution of Loans

Recent lending patterns indicate *reasonable dispersion* of loans in all census tracts within the AA. The following tables reflect the geographic distribution of 1-4 family residential real estate and commercial loans, relative to the income level of the census tracts within the AA.

Table 3A - Geographic Distribution of Residential Real Estate Loans in Kay County OK AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0%	0%	17%	21%	56%	47%	27%	32%

Source: United States Census data; data from loan sample.

Table 3E - Geographic Distribution of CRE Loans in Kay County OK AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Loans						
CRE	0%	0%	23%	28%	54%	33%	23%	39%

Source: Data from loan sample; United States Census data.

Responses to Complaints

There has been one consumer complaint regarding the banks performance under the Community Reinvestment Act (CRA) since the previous evaluation dated April 28, 2008. The complaint was sufficiently addressed and no adverse action was taken against ENB. The complaint is maintained in the bank’s Public File. The bank’s CRA Public File contains all of the required information.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.