



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 31, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Chelsea
Charter Number 5955**

**516 Walnut
Chelsea, OK 74016**

**Office of the Comptroller of the Currency
Eastern Oklahoma Field Office
7134 South Yale Avenue, Suite 910
Tulsa, Oklahoma 74136**

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.

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 CRA performance of The First National Bank of Chelsea. Prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **May 31, 2005**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Note: Throughout this evaluation The First National Bank of Chelsea will be referred to as "FNB."

The following pages further describe the bank's CRA performance.

Institution's CRA Rating: Satisfactory

The major factors that support this rating include:

- A majority of the bank's loans are made within the assessment area (AA).
- The bank's loan-to-deposit ratio is satisfactory.
- The bank's lending performance to individuals of different income levels and businesses and farms of different sizes is satisfactory given the demographics of the AA.
- The bank is doing a good job of originating loans throughout the AA.
- The bank has not received any consumer complaints regarding CRA performance.

Description of Institution

FNB is a \$22 million dollar rural community bank located in Chelsea Oklahoma. Chelsea is located in Rogers County, approximately 60 miles northeast of Tulsa, Oklahoma. FNB is affiliated with Lakeside State Bank, Oologah, Oklahoma. Both banks are majority owned by members of one family. FNB serves the AA with a full-service main office in downtown Chelsea and an attached drive-thru facility that includes a lane for Automated Teller Machine service. There are no branch bank facilities, although FNB does offer comprehensive, 24-hour Internet banking services through its website at <http://www.fnbchelseaok.com>. FNB also offers a 24-hour telephone banking service.

Bank lobby services are provided Monday through Friday, and Monday through Saturday at the drive-thru. FNB offers a wide variety of banking services and loan and deposit products to meet consumer and commercial banking needs, although they also face strong competition from several other financial institutions in the AA. There are no legal or financial impediments to prevent the bank from meeting the credit needs of the AA. The bank received an overall **Satisfactory** rating for the last CRA Public Evaluation dated February 8, 1999.

FNB's lending strategy focuses on one-to-four family real estate loans, consumer loans, and small business loans to meet the needs of the community. As of December 31, 2004 the loan portfolio represents 47% of total assets and consists of the following loan types:

Loan Category	\$ (000)	%
Commercial Real Estate Loans	2,670	26
Commercial Loans	788	8
Residential Real Estate Loans	4,379	42
Farm Production Loans	244	2
Farm Real Estate Loans	16	< ¼ of 1%
Consumer Loans	2,060	20
Other Loans	220	2
Total	10,377	100.00

Source: December 31, 2004 Consolidated Report of Condition and Income

Description of Assessment Area

FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The AA consists of 10 census tracts located in Rogers County. The following table describes major demographic and economic characteristics of the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	7,095
Number of Households	9,532
<i>Geographies</i>	
Number of Census Tracts/BNA	10
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	10%
% Middle-Income Census Tracts/BNA	80%
% Upper-Income Census Tracts/BNA	10%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	44,336
2004 HUD-Adjusted MFI	53,100
<i>Economic Indicators</i>	
2000 Median Housing Value	75,267
# of Households Below Poverty Level	1,188

Source: 2000 United States Census

Community Contact

We contacted a member of the city government to gain a better understanding of the credit needs of the citizens residing within the AA. The representative stated that FNB is active in community development opportunities when available and also responsive to the known credit needs of the AA residents.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses FNB's lending performance and focuses primarily on five criteria: loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to complaints.

To evaluate FNB's lending performance we selected a random sample of 20 residential home loans, 20 automobile loans, and 20 commercial loans originated since January 2003.

Loan-to-Deposit Ratio (LTD)

FNB's quarterly average LTD ratio meets the standards for satisfactory performance in light of the bank's size, financial condition, and comparison to peer banks. The bank's quarterly average LTD ratio since the February 8, 1999 CRA Public Evaluation is 66% compared to a peer bank average over the same period of 67%.

Lending in the Assessment Area

The level of FNB's lending activities within the AA meets the standards for satisfactory performance, as a majority (74%) of the number and dollar amount of FNB's loans are within the AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Recent lending patterns within the bank's AA indicate FNB meets the standards for satisfactory performance. The tables below summarize our conclusions regarding the bank's lending activities for each of the loan types we sampled.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA families	% of loans reviewed	% of AA families	% of loans reviewed	% of AA families	% of loans reviewed	% of AA families	% of loans reviewed
Residential RE Loans	21%	40%	19%	20%	25%	10%	35%	30%

Source: Loan sample and 2000 United States Census.

Borrower Distribution of Automobile Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA households	% of loans reviewed	% of AA households	% of loans reviewed	% of AA households	% of loans reviewed	% of AA households	% of loans reviewed
Automobile Loans	24%	35%	18%	15%	19%	35%	39%	15%

Source: Loan sample and 2000 United States Census.

Borrower Distribution of Loans to Small Businesses				
Gross Annual Revenues of Business	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA businesses	71%	3%	26%	100%
% of loans reviewed	90%	10%	0%	100%

Source: Loan sample and 2000 United States Census.

Geographic Distribution of Loans

The geographic distribution of automobile, residential real estate, and business loans within the bank's AA indicate FNB's lending performance meets the standards for satisfactory performance. There are no low-income census tracts in the bank's AA, although it is evident from our loan sample that FNB completes a high level of loan transactions in the moderate-income census tract. The tables below summarize our conclusions regarding the bank's lending activities for each of the loan types we sampled.

AUTOMOBILE LOANS				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA households	0%	10%	80%	10%
% of loans reviewed	0%	60%	40%	0%

Source: Loan sample and 2000 United States Census.

RESIDENTIAL REAL ESTATE				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA owner occupied	0%	7%	80%	13%
% of loans reviewed	0%	55%	35%	10%

Source: Loan sample and 2000 United States Census.

BUSINESS LOANS				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA businesses	0%	13%	81%	6%
% of loans reviewed	0%	61%	39%	0%

Source: Loan sample and 2000 United States Census.

Responses to Complaints

Neither FNB nor the OCC received any CRA related complaints on FNB since the previous CRA evaluation.

Compliance with Fair Lending Laws and Regulations

FNB has a satisfactory record of compliance with fair lending laws and regulations.