

SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 19, 2005

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank in Cameron
Charter Number 13731**

**102 N. Houston
Cameron, TX 76520**

**Comptroller of the Currency
San Antonio North
10101 Reunion Place Boulevard Suite 402
San Antonio, TX 78216**

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.

- First National Bank Cameron's (FNB) lending performance is Satisfactory given its size, financial condition, and known credit needs in its assessment area (AA).
- The bank's loan-to-deposit (LTD) ratio exceeds peer average at 52% for this evaluation period. Such performance is reasonable given the available loan demand in the AA.
- A substantial majority of FNB's loans are within its AA.
- FNB has demonstrated an excellent willingness to extend loans to individuals of varying incomes and businesses of different sizes.
- There have been no complaints with respect to FNB's CRA performance.

DESCRIPTION OF INSTITUTION

FNB is headquartered in the city of Cameron, Milam County, Texas, which is approximately 80 miles northeast of Austin. In addition to the main office in Cameron, FNB has branches in Rockdale, Rosebud, and Giddings, Texas. Automated teller machines (ATMs) and drive-through banking facilities are available within each of these respective locations.

Cameron Financial Corporation (CFC) of Delaware, a one-bank holding company (HC), owns 51% of FNB. This HC is 100% owned by CFC located in Cameron. Total assets of CFC, as of September 30, 2005, was 13.8 million.

The institution's principal focus is to promote economic development in its AA through its lending programs. FNB's primary lending products include residential, non-residential and farm real estate, and various types of commercial and consumer loans. Total loans as of September 30, 2005, amounted to 72.3 million, which comprise 44% of total assets. The following table reflects a detailed breakdown of FNB's loan portfolio as of September 30, 2005.

Loan Type	Dollar Amount (000's)	% of Total Loans (*) Less than 1%
Real Estate (RE) Construction	1,519	2
RE Farmland	11,449	16
RE Residential (1-4)	20,989	29
Multifamily	791	1
RE Nonfarm Nonresidential	11,961	17
Agricultural Production	6,725	9
Commercial and Industrial	9,576	13
Obligations	2,394	3
Lease Financing	111	0*
Consumer	6,597	9
Revolving Credit Lines	10	0*
Other	156	0*
Total	72,278	100.0

A full-service branch has been opened in Rockdale Texas since our last evaluation. Bank lobby and drive through services are provided Monday through Friday at each office. Drive-through services are provided at all branch locations on Saturday. FNB faces strong competition from other banks headquartered in the AA as well as a regional bank branch located in Giddings. FNB has a 24-hour telephone audio response system, which allows customers to obtain account balance information, transfer funds between accounts, and make loan payments. This organization also has an Internet web site, which provides information concerning the bank's services as well as obtaining deposit account information, transfers between accounts, and bill paying. Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in its community. At the last CRA examination on September 15 2001, FNB's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit in its AA.

DESCRIPTION OF MILAM, LEE, AND FALLS COUNTIES

FNB has designated Milam County, Lee County, and a western portion of Falls County as its AA. These counties are made up of contiguous census tract (CT), which surround and include each banking office. Principal cities located in the AA include the cities of Cameron, Giddings, Rosebud, Rockdale, and Thorndale. Some of the smaller communities also located within the AA include Lott, Rosebud, Lincoln, and Buckholts. Specific demographic and economic data for this area is listed in the table on the following page.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	12,900
Number of Households	17,760
<i>Geographies</i>	
Number of Census Tracts	13
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	0
% Middle-Income Census Tracts	10
% Upper-Income Census Tracts	3
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	40,219
2004 HUD-Adjusted MFI	42,000
2005 HUD-Adjusted MFI	42,000
<i>Economic Indicators</i>	
Unemployment Rate	1.88
2005 Median Housing Value	\$58,031
% of Households Below Poverty Level	16

This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. A further description of the AA is presented below.

Based on 2000 Census data, the AA has a combined population of 48M (M = 000's). There are 21.1M housing units in the AA, of which 64% are owner-occupied, 20% renter-occupied and 16% are vacant. Approximately 17% of the families in the AA are considered low-income. Moderate-income families approximate 16% of the population, while middle- and upper-income families comprise the remaining 67%. Principal employers within the counties include Aluminum Company of America (ALCOA), Central Texas Hospital, Tom's Red & White Grocery, Texas Youth Commission, Leeco Industrial Plastics, state and local government, and local school districts.

In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted one community leader during this examination. The contact is a local Cameron businessman. His business provides investment, insurance, bookkeeping, and tax preparation services. We also reviewed one community contact performed by an examiner in Lee County over the past year. These contacts stressed the need for affordable housing and rental properties for LMI families within the AA. The Cameron contact further stated that while economic conditions are slow, FNB is active in the community and responsive to the credit needs in the counties it serves.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Management has been successful in meeting the credit needs of its AA, including LMI individuals, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

FNB's LTD ratio is above average given its asset size, financial condition, and lending opportunities within its AA. Since the last CRA examination, the LTD ratio has increased from 47% on June 30, 2001, to 49% on September 30, 2005. The average LTD ratio over the past 17 quarters was 52%, which reflects an increase from an average 36% during the previous examination. Such performance is consistent and reasonable given the dollar volume of public funds (33 MM) deposited by local government and agencies, and available loan demand in the AA. The LTD ratio increases to 64% upon netting out public deposits, which are not available to lend. The LTD for three similarly situated competitors averaged 47% during this period.

Institution	Assets as of 09/30/05	Average LTD Ratio %
Citizens NB of Milam County	207,051	34.09
FNB Giddings	95,444	65.58
The Buckholts State Bank	43,660	42.56
<i>FNB Cameron</i>	<i>164,496</i>	<i>52.04</i>

Lending in Assessment Area

A substantial majority of the bank's loans are made within its AA. The following table shows the bank's lending pattern in and out of the AA by loan type.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	26	81	50	83	6	19	11	17
Real Estate	32	94	2,417	94	2	6	155	6
Commercial	29	85	685	91	5	15	67	9
Total Reviewed	100	87	3,152	93	13	13	233	7

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

FNB's loan portfolio reflects a very good distribution among individuals of various income levels and commercial businesses of different sizes within the AA. In order to assess the bank's performance within the AA, we sampled 32 residential, 22 consumer, and 25 commercial loans. This loan sample was limited to loans originated from January 2003 through September 2005.

Our analysis determined that FNB lends to all applicants, regardless of their income category. Based on the 2000 Census, 36% of AA households are LMI. Our consumer loan sample identified an excellent distribution, as 77% of our consumer loan sample was made to LMI households.

The bank's penetration of residential loans to low-income families is below AA demographics; however, the bank's penetration for moderate-income families is good at 28%. Including Low-income families, the cumulatively LMI penetration increases to 37%. Based on the 2000 Census, 17% of AA families are low-income. Our review determined that only 9% of residential loans originated were made to low-income families. As stated in the previous performance evaluation, management stated that there continues to be a shortage of homes in the AA at selling prices that LMI families could qualify for. The community contact's comments further supported this statement. He mentioned that pricing on homes has begun to increase, and those which are affordable are either old or dilapidated.

FNB has taken the initiative in addressing this housing issue by partnering with the Capital Area Housing Financing Corporation (CAHFC). The CAHFC, along with participating financial institutions and local governments, provides assistance in creating affordable housing for LMI families. The only County in FNB's AA selected by the CAHFC for the program is Lee County (City of Giddings). FNB provides reasonable rates and terms for financing the construction of modular housing on property provided by the City of Giddings. Since 2001, FNB has assisted with making available a total of 11 homes for LMI families. FNB President Ricky Williams hopes to extend the program into Milam County and the City of Cameron. He has worked closely with City Officials and with the CAHFC in raising program awareness. The objective of the program is not only to provide affordable housing, but to also revitalize respective communities.

The following charts reflect the results of our sample of residential and consumer loans originated in FNB's AA.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	17		16		22		45	
LOANS BY YEAR	% of Number	% of Amount						
Total	9	2	28	20	16	11	47	67

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	22		14		18		46	
LOANS BY YEAR	% of Number	% of Amount						
Total	50	50	27	25	14	10	9	15

FNB originates commercial loans in a manner consistent with area demographics. The bank’s distribution of loans to “small businesses with revenues less than \$1 million” is reflective of FNB’s focus on providing loans that will enhance the local economy.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	93	7
% of Bank Loans in AA #	96	4
% of Bank Loans in AA \$	92	8

Geographic Distribution of Loans

As previously mentioned, there are no census tracts classified as low- or moderate income in the AA. Therefore, an analysis of loan distribution by geographic area would not be meaningful.

Responses to Complaints

No complaints relating to CRA performance have been received by FNB.

Fair Lending Review

An analysis of non-business-related loans, public file comments, and consumer complaint information was performed in previous periods, in accordance with the OCC’s risk-based fair lending examination standards. Those examinations revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with this CRA evaluation.

