

HOMETOWN BANK, NATIONAL ASSOCIATION  
1801 - 45th Street, Galveston, Texas 77550  
March 9, 2018  
Proxy Statement  
Annual Meeting of Shareholders  
April 10, 2018

The Board of Directors of HomeTown Bank, National Association (“Bank”), is soliciting the enclosed proxy for use at the Annual Meeting of Shareholders (“Meeting”) to be held on April 10, 2018, at 2:00 p.m., at the Bank and at any adjournments thereof. This proxy statement and the enclosed proxy are being first sent to shareholders on or about March 9, 2018. The voting authority granted by the enclosed proxy relates only to the specified Meeting and any adjournments thereof and expires thereafter. It may be revoked at any time prior to its exercise by a subsequently dated proxy, by attendance at the meeting, or by written notice delivered or mailed to the cashier of the Bank prior to the Meeting. In addition to the solicitation of proxies by mail, the Bank’s regular employees may solicit proxies personally or by telephone. These employees will not be compensated for soliciting proxies.

Ownership of Shares - Voting Rights

As of March 9, 2018, there were 550 shareholders and 382,657.18 shares of the Bank’s common capital stock, \$1.00 par value, outstanding, which are all of the same class. Cash dividends have been declared as follows: \$1.25 in March of 2017 and \$2.35 in November of 2017.

To the knowledge of the Bank’s Board of Directors, the only person or entity beneficially owning 5% or more of the outstanding shares of the Bank is Moody Bank Holding Company, 2302 Postoffice Street, Galveston, Texas 77550.

Robert L. Moody, Jr., a director of the Bank, is also a director of Moody Bank Holding Company, Moody Bancshares, Inc., and Moody National Bank.

Greg S. Garrison, a director of the Bank, is also a director of Moody Bank Holding Company and Moody Bancshares, Inc.

The following reflects the ownership of common stock in the Bank, as of December 31, 2017, by Moody Bank Holding Company, by Officers and Directors of the Bank, by Nominees for election as Directors, and by the principal executive officer of the Bank:

Name and Address of Beneficial Owner	Amount of Shares of Bank Beneficially Owned as of December 31, 2017	Percent of Outstanding Common Stock
Moody Bank Holding Company * 2302 Postoffice Street Galveston, Texas 77550	95,105	24.85%
Dorothea Matthews Balentine 5011 Sherman Blvd. Galveston, Texas 77551	1,224	0.32%
Kent Ballard 1501 Carolina Court Friendswood, Texas 77546	1,189	0.31%
Stacy Dienst 1620 S. Friendswood Drive, Suite 194 Friendswood, Texas 77546	4,443	1.16%
Maurice Estlinbaum 508 Stockport League City, Texas 77573	3,434	0.90%
Sidney C. Farmer, III 801 East Beach Drive Galveston, Texas 77550	1,303	0.34%
Michael J. Gaido, Jr. 3800 Seawall Boulevard Galveston, Texas 77550	1,009	0.26%
Greg S. Garrison * One Moody Plaza, 18 <sup>th</sup> Floor Galveston, Texas 77550	5,220	1.36%
E. Vince Matthews, III 2308 Vega Court League City, Texas 77573	1,100	0.29%

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Name and Address of Beneficial Owner	Amount of Shares of Bank	
	Beneficially Owned as of December 31, 2017	Percent of Outstanding Common Stock
Robert L. Moody, Jr. * 2302 Postoffice, Suite 601 Galveston, Texas 77550	2,758	0.72%
Jimmy Rasmussen 1429 - 19 <sup>th</sup> Avenue No. Texas City, Texas 77590	7,724.56	2.02%
G. William Rider 2 Dansby Drive Galveston, Texas 77551	13,388**	3.50%
Joe Saladino 2295 Lakeway Drive Friendswood, Texas 77546	1,264	0.33%
T. A. Waterman, Jr. 7713 Beaudelaire Galveston, Texas 77551	8,973	2.34%
All Directors and Officers of the Bank	58,818.56	14.85%

\* It is the Bank's best information that all outstanding shares of Moody Bank Holding Company are owned by Moody Bancshares, Inc. Director nominee Robert L. Moody, Jr., is also a director of Moody Bank Holding Company, Moody Bancshares, Inc., and Moody National Bank. Director nominee Greg S. Garrison is also a director of Moody Bank Holding Company and Moody Bancshares, Inc. Director nominee Greg S. Garrison is a partner in the law firm which provides legal representation to Moody Bank Holding Company, Moody Bancshares, Inc., and Moody National Bank.

\*\* These shares are held individually and in trust.

### Voting

In deciding all questions to be voted upon by the Shareholders, each Shareholder is entitled to one vote for each share held. In the election of Directors, Shareholders are entitled to cumulate their votes, at the discretion of each Shareholder. Cumulative voting entitles each Shareholder to as many votes as shall equal the number of shares owned, multiplied by the number of Directors to be elected. Each Shareholder may cast all of these votes for a single candidate, or distribute them on the same principle among any two or more candidates. It is the

intention of the persons named in the proxy which accompanies this proxy statement to vote their shares cumulatively.

Shareholders entitled to vote shall be those reflected in the Bank's stock transfer records as Shareholders of record at the close of business on February 9, 2018. Other Shareholders may be entitled to vote shares acquired but not transferred on the Bank's records as of February 9, 2018, by obtaining proxies from the record owners of those shares as of that date.

#### Election of Directors

The Articles of Association of the Bank provide that the number of Directors to be elected at the Meeting will be determined by vote of the Shareholders. A resolution will be offered at the meeting establishing the number of directors at twelve.

The terms of office of the Directors are for one year and expire simultaneously with the election of their successors at the next succeeding Annual Meeting of the Shareholders.

The persons named below will be nominated for election to serve until the next succeeding Annual Meeting of Shareholders and until their successors are elected and qualified. All twelve nominees have consented to being named as nominees in this proxy statement and to serve if elected.

The Board of Directors of the Bank is soliciting proxies for the twelve persons nominated for the Board of Directors and named below. It is the intention of the persons named in the proxy to vote in favor of the following nominees:

Name	Board Committee Membership	Director of the Bank Since	Principal Occupations and Employment Past 5 years
Dorothea Matthews Balentine	Compliance/Internal Audit/ Loan Review, CRA	04/09/91	Vice President/ Advisory Board Coordinator, Moody National Bank; Homemaker
Kent Ballard	Strategic Planning, Loan, CRA, Business Development, Compensation & Benefits, Branch Construction, ORE, Marketing	10/13/98	Broker Associate, O'Farrell Realty, Inc.
Stacy Dienst	Compensation & Benefits, Strategic Planning, Loan, Goals/Acquisitions	07/08/86	Retired Vice President, Dienst Distributing Co. (Wholesale beer distributors)
Maurice Estlinbaum	Strategic Planning, Business Development, ORE, Branch Construction	12/10/02	Retired Auto Parts Owner, Real Estate Investments
Sidney C. Farmer, III	Loan, Asset/Liability-Investment, Goals/Acquisitions, Compensation & Benefits, Strategic Planning	09/08/87	Co-President, Four Winds Investments, Inc.; Co-President, Farmer's Alloy Fabricating, Inc.
Michael J. Gaido, Jr.	Chairman of the Board, Goals/Acquisitions, Asset/Liability- Investment, Compliance/ /Internal Audit/ Loan Review, Strategic Planning, Nominations, Business Development, Compensation & Benefits, Loan, Dividend, Branch Construction, ORE, Marketing	04/12/94	Gaido's Restaurant, Nick's Restaurant, and Gaido's Seaside Inn

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Name	Board Committee Membership	Director of the Bank Since	Principal Occupations and Employment Past 5 years
Greg S. Garrison	Asset/Liability-Investment, Compliance/Internal Audit/ Loan Review, Dividend, Strategic Planning	04/08/08	Attorney and Partner, Greer, Herz & Adams, L.L.P.
E. Vince Matthews, III	Asset/Liability- Investment, Compliance/Internal Audit/Loan Review, Loan, Marketing	01/01/98	Attorney and Mortgage Loan Analyst, Mortgage and Real Estate Invest- ment Division, American National Insurance Co.
Robert L. Moody, Jr.		02/12/80	President, Moody Insurance Group, Inc., and Rancher
Jimmy Rasmussen	President, Dividend, Goals/Acquisitions, Loan, Asset/Liability- Investment, Compensation & Benefits, Pension Plan Trustee, CRA, Strategic Planning, Nominations, Business Development, Branch Construction, ORE, Marketing	12/13/88	President and CEO, HomeTown Bank, N.A.
G. William Rider	Pension Plan Trustee, Loan, Compensation & Benefits, Goals/ Acquisitions, ORE, Strategic Planning, Nominations, Business Development, Dividend, Branch Construction	05/27/75	Attorney, Rider & Wilson (General Counsel for the Bank. The Bank proposes to continue to retain this firm in the current fiscal year.)
T. A. Waterman, Jr.	Strategic Planning, Goals/Acquisitions, Compensation & Benefits, Dividend, Business Development	04/08/08	Retired President, Waterman Air Conditioning & Heating, Inc.

Other nominations may be made by mailing or delivering written notification of the nomination to the President of the Bank no less than fourteen (14) days nor more than fifty (50) days prior to the Meeting. Provided, however, that if less than twenty-one (21) days' notice of the Meeting is given to the Shareholders, the nomination shall be delivered or mailed no later

than the close of business on the seventh day following the day on which the notice of the Meeting was mailed. The nomination shall contain the following information to the extent known by the nominating Shareholders: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of the capital stock of the Bank that will be voted for each proposed nominee; (d) the name and address of the notifying Shareholder; and (e) the number of shares of capital stock of the Bank owned by the notifying Shareholder.

### Director Independence

A majority of the Board of Directors is comprised of independent Directors under the definition of independence of NASDAQ, a national securities exchange. The Bank uses the same definition with respect to all Directors and Nominees for Director. The Bank uses the independence standards of NASDAQ to determine whether the members of each committee of the Board of Directors are independent.

### Audit Committee Report

The Bank has a standing Compliance/Internal Audit/Loan Review Committee of the Board of Directors which reviews the Bank's internal audit procedures and results. It has reviewed reports from the external and internal auditors of the Bank, has reviewed and discussed the audited financial statements with management, and has made recommendations to the Board. It has discussed with the independent auditors the matters required to be discussed and has discussed with the accountants the accountants' independence. It has had discussions with management and the auditors, based on the review and discussions referred to above.

The public accounting firm reports directly to the audit committee. The audit committee is directly responsible for the appointment and oversight of the accounting firm. The auditor must timely report to the audit committee all critical accounting policies and practices to be used; all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications thereof, and the method preferred by the auditor; and any other material written communication between the auditor and management, including management letters and schedules of unadjusted differences.

Members of the Compliance/Internal Audit/Loan Review Committee are Dorothea Matthews Balentine, Michael J. Gaido, Jr., E. Vince Matthews, III, and Greg S. Garrison. Since February 8, 2005, Dorothea Matthews Balentine, a financial expert as defined in the Sarbanes-Oxley Act of 2003, has been a member of the audit committee.

### Compensation & Benefits Committee

The Bank has a Compensation & Benefits Committee of the Board of Directors which has the responsibility to review the compensation of the Bank's executive officers, officers, employees, and Directors. The Compensation & Benefits Committee has no charter. Its functions and authority include making recommendations to the Board of Directors relating to the salaries and benefits of the Bank's employees and Directors. The Compensation & Benefits Committee does not delegate any of its authority to any other person.

## Board Leadership Structure and Role in Risk Oversight

The principal executive officer and the Chairman of the Board are different persons, and these positions have separate functions. The Board of Directors adopts policies for the operation of the Bank, and the executive officers of the Bank are responsible for implementing those policies. The Bank has determined that this leadership structure is appropriate, based on the size of the Bank.

The Board of Directors delegates to its Loan Committee, its Asset/Liability Committee, and its Investment Committee the responsibility for making recommendations in the risk oversight of the Bank.

## Principal Accountant

The accounting firm of Whitley Penn, LLP, is the principal accountant and external auditor for the Bank for the current year and was the principal accountant and external auditor for the Bank for the fiscal year most recently completed. The Board of Directors approved the selection of the principal accountant for the current year.

No representative of the principal accountant for the fiscal year most recently completed nor the current year is expected to be present at the Meeting.

## Shareholder Communications

Although the Board of Directors has not adopted a specific process regarding shareholder communications, Shareholders of the Bank may communicate with the Board of Directors or with individual Directors serving on the Board by sending written communications, addressed to the Board as a group or to any individual Director, to HomeTown Bank, N. A., P. O. Box 3909, Galveston, Texas 77552-3909. The Bank will ensure that any such communication, assuming it is properly marked care of the Board or care of a specific Director, is delivered to the Board or to the specified Director, as the case may be. Each proxy statement specifies the date by which each Shareholder will have the opportunity to present proposals for the next annual meeting.

## Shareholder Proposals for Next Annual Meeting

Proposals of Shareholders to be presented at the Bank's next annual meeting in 2019 must be received by the Bank no later than August 24, 2018 in order to be included in the Proxy Statement and Proxy. It is suggested that Shareholders send their proposals by certified mail, return receipt requested. Notice of a Shareholder proposal that is not received by the Bank on or before August 24, 2018 is considered untimely.

## Other Matters

The Board of Directors of the Bank does not know of any matters which are to be brought before the Meeting other than those described in this Proxy Statement. If any other matter should be properly presented at the Meeting for action by the Shareholders or should otherwise come before the Meeting, it is intended that the holders of the proxies will vote thereon in accordance with their best judgment.

A copy of the Bank's 2017 annual report is being mailed to the Shareholders concurrently with the mailing of this proxy statement, but it is not intended by the management to constitute any part of this proxy statement.

## Cost of Solicitation

The Bank will bear the cost of solicitation of proxies.

## Vote Required for Approval

A majority of the votes cast shall decide every matter submitted to the Shareholders at the Meeting.

## **Important Notice Regarding the Availability of Proxy Materials for the Shareholders' Meeting to be Held on April 10, 2018.**

**The proxy statement and Annual Report to Shareholders are available free of charge** at [www.htbna.bank](http://www.htbna.bank) and may be accessed by going to that Internet Website and clicking on "Proxy" to receive and review the posted proxy materials.

The date, time, and location of the Shareholders' Meeting is at 2:00 p.m. on April 10, 2018 at HomeTown Bank, National Association, 1801-45<sup>th</sup> Street, Galveston, Texas.

The matter to be acted on is the election of Directors of HomeTown Bank, National Association, from April of 2018 through April of 2019. The Bank's Board of Directors recommends a vote "FOR" the First Proposition, the Alternative Number One in the Second Proposition, and the Third Proposition.

All of the following materials are available at [www.htbna.bank](http://www.htbna.bank), and **copies of such materials may be requested** of Lulu Higgins, Vice President of the Bank, at P. O. Box 3909, Galveston, Texas 77552-3909, (409) 763-1271, [lhiggins@htbna.com](mailto:lhiggins@htbna.com), and [www.htbna.bank](http://www.htbna.bank), with respect to the particular meeting to which they relate and with respect to future meetings:

1. Notice of proxy statement;
2. Proxy statement;
3. Annual Report to Shareholders; and
4. Proxy.

The proxy for each shareholder is enclosed with this proxy statement; consequently, no control or identification number is needed to access an electronic shareholder's proxy.

Each shareholder is invited to attend the Shareholders' Meeting and to vote in person.

By Order of the Board of Directors

Jimmy Rasmussen  
President

Galveston, Texas  
March 9, 2018