



PUBLIC DISCLOSURE

July 30, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First Liberty National Bank
Charter Number 12850

1900 Sam Houston Avenue
Liberty, TX 77575

Office of the Comptroller of the Currency

1301 McKinney Street
Suite 1410
Houston, TX 77010-3031

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, and should not 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.

Table of Contents

OVERALL CRA RATING.....	3
DEFINITIONS AND COMMON ABBREVIATIONS	4
DESCRIPTION OF INSTITUTION	8
SCOPE OF THE EVALUATION	9
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	10
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS	11
LENDING TEST.....	11
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS	B-1
APPENDIX C: TABLES OF PERFORMANCE DATA.....	C-1

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The First Liberty National Bank (FLNB) is responsive to the credit needs of the community, including the needs of low- and moderate-income (LMI) individuals in its assessment area (AA). The bank also provides outstanding community development (CD) activities. The following factors support this conclusion:

- FLNB originates a majority of its loans inside its AA.
- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and credit needs of the AA, and is consistent with similarly situated banks in the surrounding area.
- The borrower distribution of loans to low- and moderate-income borrowers is excellent.
- The geographic distribution of loans in moderate-income geographies reflects reasonable dispersion.
- The overall level of CD activities is excellent with 24 CD services, 22 CD investments/donations, and five CD loans demonstrating responsiveness to the needs of the AA.
- There were no Community Reinvestment Act (CRA) related complaints during the evaluation period.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the community development needs of its AA(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A CT delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

FLNB was established in 1913 and is wholly-owned by First Liberty National Bancshares, Inc. As of June 30, 2018, FLNB had total assets of \$314 million with a tier one leverage capital ratio of 12.3 percent. FLNB's main branch is located at 1900 Sam Houston Avenue in Liberty, Texas. In addition to the main branch, the bank operates three full-service branches. Opened in 1998, the Dayton branch is located at 109 E. U.S. Hwy 90, Dayton, TX. In April and September of 2017, FLNB opened branches at 11030 Hwy 146 North in Hardin, TX and at 24900 FM 2100 in Huffman, TX, respectively. In addition, the bank opened a Loan Production Office (LPO) in September 2016 in Kingwood, TX; however, this LPO was subsequently closed in August 2017. FLNB is considered to be a single state institution as all of its branches are located in the state of Texas.

FLNB's lobby hours are reasonable as bank services are available to customers Monday thru Thursday at the Liberty, Dayton, and Huffman branches from 9:00 am to 4:00 pm. Friday hours are from 9:00 am to 6:00 pm for the Liberty and Dayton branch while the Huffman branch is opened from 9:00 am to 5:00 pm. Lobby hours for the Hardin location are Monday thru Friday from 7:00 am to 4:00 pm with no drive-thru available. For the Liberty and Dayton branches, drive-thru hours are Monday thru Friday from 7:00 am to 6:00 pm while the Huffman branch is opened from 7:30 am to 6:00 pm. Saturday drive-thru hours for all branches (excluding Hardin) are from 9:00 am to 12:00 pm. For customer convenience, the bank has six deposit-taking automated teller machines, with two located in Liberty, two located at the Dayton branch, and one at the Hardin and Huffman branches. Additionally, the bank provides its customers with 24-hour account access through online banking.

FLNB offers a wide variety of loan and deposit products and services, including trust and investment services, to appeal to their customer base and their financial needs. As of 2017, some members of senior management have changed along with the bank's overall strategic direction. The bank's focus is to increase its commercial lending, especially to small businesses in its community, as well as providing more real estate mortgage loans than it has in previous years by establishing a new mortgage department. Since the new strategic direction was established towards the end of this evaluation period, FLNB's primary lending products still remain unchanged compared to the previous CRA examination and consists of commercial and consumer loans. The bank continues to offer traditional deposit products and services that are typical of a community bank.

There are no legal or financial circumstances impeding the bank's ability to meet the credit needs of its AAs. The bank was rated "Satisfactory" at its last CRA evaluation dated September 14, 2015.

Please refer to the bank's Public File for additional information.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We conducted an evaluation of FLNB's lending performance to determine the bank's compliance with CRA. FLNB was evaluated under the Small Bank CRA full-scope procedures, which includes a Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through lending activities. The evaluation period for the Lending Test was from July 1, 2015 through December 31, 2017.

After reviewing the bank's loan portfolio composition as of June 30, 2018, we noted that FLNB's primary loan product by dollar amount is business loans, which represent 51 percent of the total loan volume. In addition, consumer loans was also identified as a primary product by number with 63 percent of the total number of loans in the bank's loan portfolio. Since FLNB is located in an MSA, it is subject to the reporting requirements of HMDA. However, since residential real estate loans were not a primary product during the evaluation period, these were not part of the analysis.

During the evaluation period, the Census Bureau made some changes to CTs within FLNB's AA in 2017. Because of these changes, we evaluated the bank's lending performance based on two segments: Loans originated or renewed in 2015 and 2016 before the CT changes, and loans originated or renewed in 2017 after the CT changes. For 2015-2016, our randomly selected sample included a total of 60 business loans and 60 consumer loans. For 2017, our randomly selected sample included a total of 30 business loans and 30 consumer loans. We based our analyses under the Lending Test on a review of the combined sample of 90 business loans and 90 consumer loans originated or renewed from July 1, 2015 through December 31, 2017.

Since FLNB is being evaluated as a Small Bank, consideration and evaluation of CD activities is optional under the Small Bank examination procedures. At management's request, we evaluated CD activities that were made since the previous evaluation through July 30, 2018, the start date of this evaluation.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

Overall, performance under the Lending Test is satisfactory given the performance context of FLNB. More weight was placed on consumer loans originated inside the AA given that consumer loans has historically been the bank's primary lending product. Loan penetration to LMI borrowers is considered to be excellent. The geographic dispersion of loans in low- or moderate-income CTs is reasonable. Ratings are determined considering the results from all the areas of the Lending Test and taking into consideration FLNB's performance context factors.

Loan-to-Deposit Ratio

FLNB's LTD ratio is reasonable given the bank's size and the credit needs of its AA. As of June 30, 2018, FLNB's quarterly average LTD ratio was 66.79 percent, ranging from a low of 57.56 percent to a high of 74.39 percent since the previous CRA examination. In order to evaluate FLNB's performance, we identified three similarly situated community banks comparable in asset size and also located in the bank's AA or in surrounding counties. The bank's LTD aligns with the average LTD of 82.11 percent of the peer group. The comparator average LTDs ranged from an average low of 68.41 percent to an average high of 89.78 percent.

The bank's responsiveness to CD needs through lending activities is excellent. During the evaluation period, FLNB originated CD loans totaling \$7.8 million. Of the total qualified CD loans, two loans totaling \$3.1 million were made for economic development purposes. One loan was to the Tarkington Special Utility District where funds were used to extend and improve the district's water system. The other loan was for the construction of a medical clinic. Both the utility district and the medical clinic promote services to all. The utility district is comprised of 63 percent individuals that are economically disadvantaged. The medical clinic will offer services to patients where the majority are on Medicare or Medicaid. The remaining three loans, aggregating \$4.7 million, support revitalization and stabilization of LMI geographic areas within Liberty County. The Hardin Independent School District has over 50 percent of economically disadvantage students with \$3.5 million in loan proceeds used to cover operating and maintenance expenses. Loan funds to Colbert Street LLC were used to refinance four duplex and develop and construct reasonably priced homes for LMI individuals.

Lending in Assessment Area

Based on Table D below, a majority of the bank's lending is inside its AA by number and dollar amount of loans. During the evaluation period, 79.44 percent by number and 80.70 percent by dollar amount of loans were originated or refinanced within the bank's AA. Our analysis is based on a randomly selected sample of 180 loans that were made by the bank during the examination period. The following table details the bank's lending performance inside compared to its lending outside of the AA:

Table D - Lending Inside and Outside the Liberty AA

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	72	80.00	18	20.00	90	6,131	83.06	1,250	16.94	7,381
Consumer	71	78.89	19	21.11	90	751	65.48	396	34.52	1,147
Total	143	79.44	37	20.56	180	6,882	80.70	1,646	19.30	8,528

Source: 07/01/2015-12/31/2017 Bank Data

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

Overall, the borrower distribution of loans reflects excellent penetration among families and households of different income levels and to businesses of different sizes given the performance context. As previously mentioned, more weight was placed on consumer lending activity.

Consumer Loans

Based on the data in Table V, in Appendix C, distribution of consumer loans reflects excellent penetration.

In 2015 and 2016, FLNB's distribution of consumer loans to both low- and moderate-income borrowers in the Liberty AA reflects excellent penetration as it significantly exceeds the characteristics of the AA. In 2017, FLNB's distribution of consumer loans to low-income borrowers reflects reasonable penetration, while distribution of consumer loans to moderate-income borrowers reflects excellent penetration in comparison.

Business Loans

Based on data in Table R, in Appendix C, borrower distribution of loans to small businesses with gross annual revenues of \$1 million or less is reasonable.

In 2015 and 2016, FLNB's distribution of loans to small business borrowers in the Liberty AA reflects a reasonable penetration when compared to the characteristics of the percent of AA businesses. FLNB's distribution of loans to small business borrowers in 2017 also reflects a reasonable penetration.

Geographic Distribution of Loans

Overall, the geographic distribution of loans to borrowers in low- or moderate-income CTs reflects reasonable dispersion, given FLNB's performance context. During the years 2015 through 2017, FLNB's AA consisted of only one low-income CT. In addition, this low-income CT is mostly comprised of a large body of water and accounts for approximately 2 percent of households and businesses; therefore, the bank was understandably unable to make any loans in this CT. Because of this, we primarily focused our analysis of both loan products on the bank's distribution of loans in its moderate-income CTs.

Consumer Loans

Based on the data in Table U, in Appendix C, the geographic distribution of consumer loans reflects reasonable dispersion.

In 2015 and 2016, FLNB's distribution of consumer loans in moderate-income CTs in the Liberty AA reflects a reasonable dispersion when compared to the characteristics of the AA. In 2017, FLNB's distribution of consumer loans in moderate-income CTs reflects a poor dispersion in comparison. The change in CT dispersion for consumer loans is primarily due to the changes in senior management and strategic direction. In 2017, management decided to eliminate the indirect auto dealer relationships and focus on serving their local customer base while also increasing small business lending. FLNB continues to offer consumer auto loans to customers who apply directly at a branch. In addition, management is in the process of establishing a new mortgage lending department to help better meet the increased residential mortgage loan demand in the area. Based on these factors, the overall geographic distribution of consumer loans reflects a reasonable dispersion.

Business Loans

Based on the data in Table Q, in Appendix C, the geographic distribution of business loans reflects excellent dispersion.

In 2015 and 2016, FLNB's distribution of business loans in moderate-income CTs in the Liberty AA reflects excellent dispersion as it significantly exceeds the characteristics of the AA. In 2017, there was excellent dispersion in low-income CTs and reasonable dispersion in moderate-income CTs. When considering the collective performance throughout the evaluation period, and the difficulty to lend in low-income CTs, FLNB's geographic distribution of business loans reflects an excellent dispersion within the low- and moderate-income CTs.

Qualified Investments and Community Development Services (Optional)

FLNB's CD investment and services are excellent and demonstrate the bank's responsiveness to the AA needs.

CD Services

FLNB's responsiveness to CD needs through services is excellent. Throughout the evaluation period, bank employees provided 24 qualified services to 10 qualified organizations for a total of 1,517 service hours. Of these activities, 20 services helped support community service organizations, three promoted economic development, and one helped provide revitalization and stabilization to the local community. The majority of these services were provided through active participation as board members for organizations meeting various community needs throughout the Liberty AA, including providing services to financial literacy programs at local schools.

CD Investments/Donations

The bank's responsiveness to CD needs through providing investments and donations is excellent. FLNB provided 22 investments/donations in the evaluation period totaling \$930,295. Investments/donations benefited various organizations throughout the Liberty AA during the evaluation period. There was one qualified investment made for \$915,000 to help revitalize and stabilize a school district that services students within LMI CTs in the Liberty AA. These funds helped to design, construct, renovate, acquire, and equip educational facilities. All donations helped to promote community services, particularly to local schools that have a majority of students that are economically disadvantaged.

Responses to Complaints

The bank did not receive any CRA related complaints during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (07/01/15 to 12/31/17) Investment and Service Tests and CD Loans: (09/15/15 to 07/30/18)	
Financial Institution		Products Reviewed
The First Liberty National Bank (FLNB) Liberty, Texas		Commercial and consumer loans, CD activities
Affiliate(s)	Affiliate Relationship	Products Reviewed
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Liberty AA	Full Scope	

Appendix B: Community Profiles for Full-Scope Areas

Table A - Demographic Information of the Assessment Area

Assessment Area: Liberty AA 2010 Census

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	31	3.2	29.0	41.9	22.6	3.2
Population by Geography	189,708	1.6	25.0	42.7	30.7	0.0
Housing Units by Geography	70,267	1.7	27.3	42.4	28.7	0.0
Owner-Occupied Units by Geography	49,026	0.8	25.3	40.4	33.5	0.0
Occupied Rental Units by Geography	14,192	4.4	28.4	46.9	20.3	0.0
Vacant Units by Geography	7,049	2.3	39.1	46.6	12.0	0.0
Businesses by Geography	8,772	2.1	24.2	42.6	31.0	0.0
Farms by Geography	360	0.3	30.3	46.4	23.1	0.0
Family Distribution by Income Level	48,035	22.2	17.4	20.3	40.1	0.0
Household Distribution by Income Level	63,218	25.3	15.8	18.1	40.9	0.0
Median Family Income Non-MSAs - GA	\$69,373	Median Housing Value				\$116,071
		Median Gross Rent				\$869
		Families Below Poverty Level				9.9%

Source: 2010 U.S. Census and 2016 D&B Data

Due to rounding, totals may not equal 100.0

(*) The NA category consists of geographies that have not been assigned an income classification.

FLNB has one AA, the Liberty AA, which is comprised of 31 CTs, located in Liberty and Chambers Counties, as well as portions of Harris County. All CTs are located in the Houston-The Woodlands-Sugar Land MSA. Of the 31 CTs, one is low-income (3 percent), nine are moderate-income (29 percent), 13 are middle-income (42 percent), seven are upper-income (23 percent), and one does not have an income designation (3 percent). Some of the AA's CT income designations have changed when compared to the previous CRA evaluation due to demographic adjustments made by the Census Bureau in 2017. The Liberty AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income CTs.

Based on information received from a local community contact, there is a strong demand in the area for small dollar business and mortgage loans due to the area's accelerated residential development. The contact reported that local financial institutions are aware of the community's financial needs and have been making efforts to meet these needs. The contact reported that local financial institutions are heavily involved in local schools and community non-profits. During conversations held with FLNB's senior management, they indicated that both small dollar business lending and residential mortgage lending would continue to be focus areas for the bank. This is in line with the bank's current overall strategy and reflected in the current composition of its loan portfolio.

Liberty County

Liberty County is located in southeast Texas within the Houston-The Woodlands-Sugarland MSA, directly north of Chambers County and east of Harris County. The county is comprised of 14 CTs consisting of one low-income tract (seven percent), five moderate-income tracts (36 percent), and eight middle-income tracts (57 percent). The county contains no upper-income CTs. There are no CTs designated as distressed or under-served. The median household income for 2016 was \$49,655 based on U.S. Census Bureau data. As of 2017, the U.S. Census Bureau estimates Liberty County's population at 83,658. The county seat is Liberty, with an estimated population of 9,215. Other major cities include Dayton with a population 7,969 and Cleveland with a population 8,125. According to the Liberty-Dayton Area Chamber of Commerce, major industries include retail, manufacturing, health care and social assistance, educational services, and construction. Major employers in the county include the Liberty-Dayton Regional Medical Center, Liberty and Dayton Independent School District (ISD), the Texas Department of Criminal Justice, and local city governments. Per the Bureau of Labor Statistics, the 2017 annual unemployment rate in Liberty County was 7.1 percent, which has decreased compared to the unemployment rate of 7.5 percent recorded in 2016.

Banking competition in Liberty County is moderate. As of June 30, 2017, the Federal Deposit Insurance Corporation (FDIC) reported that there were eight banking institutions competing for the county's market share. Of these institutions, the five largest competitors are Prosperity Bank (36 percent), FLNB (25 percent), First Bank & Trust East Texas (11 percent), Wells Fargo Bank, N.A. (8 percent), and Post Oak Bank, N.A. (8 percent).

Chambers County

Chambers County is located in southeast Texas adjacent to Galveston Bay, within the Houston-The Woodlands-Sugarland MSA. The county is comprised of six CTs consisting of two moderate-income tracts (33 percent), one middle-income tract (17 percent), two upper-income tracts (33 percent), and one tract without an income designation (17 percent). There are no low-income CTs in the county and none designated as distressed or under-served. The median household income for 2016 was \$70,396 based on U.S. Census Bureau data. As of 2017, the U.S. Census Bureau estimates Chambers County's population at 41,441. The county seat is Anahuac, which has an estimated population of 2,376. Other major cities include Mont Belvieu with a population of 5,946 and Winnie with a population of 3,270. Major industries in Chambers County are educational services, construction, and manufacturing. Major employers include Anahuac and Barbers Hill ISD, Bayer Corporation, and CEG Staffing Services. Per the Bureau of Labor Statistics, the 2017 annual unemployment rate in Chambers County was 6.5 percent, which has increased compared to the unemployment rate of 6.1 percent recorded in 2016.

Although FLNB does not maintain a physical branch presence in Chambers County, it continues to provide a significant amount of lending and other banking services to residents given that Chambers County is adjacent to Liberty County. In general, banking competition in Chambers County is moderate. As of June 30, 2017, the FDIC reported that there were five banking institutions competing for the county's market share. The bank competitors are Prosperity Bank (47 percent), Anahuac National Bank (20 percent), Texas First Bank (11 percent), Wells Fargo Bank, N.A. (11 percent), and Post Oak Bank, N.A. (11 percent).

Harris County

Harris County is the largest county in Texas by population and third largest county in the nation. The county is centered in the Houston-The Woodlands-Sugarland MSA and is comprised of 786 CTs, none of which are designated as distressed or under-served. The bank has designated 11 CTs in the eastern section of Harris County to be included in its AA, which includes two moderate-income tracts (18 percent), four middle-income tracts (36 percent), and five upper-income tracts (46 percent). There are no low-income CTs included in the AA from Harris County. According to the 2017 U.S. Census Bureau estimates, the county had a population of 4.6 million reflecting a 13.7 percent increase since 2010. The county seat is Houston, which is the largest city in Texas and the fourth largest city in the nation with an estimated population of 2.3 million. The overall economic climate in Harris County is stable. The economy in Harris County is primarily based in the energy, retail, and healthcare industry. Major employers in the county include Memorial Hermann Health System, University of Texas MD Anderson Cancer Center, Walmart, and Exxon Mobil. The median household income for 2016 was \$55,584 based on U.S. Census Bureau data. The 2017 U.S. Census estimates approximately 16.6 percent of the population living below the poverty level. Per the Bureau of Labor Statistics, the 2017 annual unemployment rate in Harris County was 4.2 percent, which has decreased compared to the unemployment rate of 5.3 percent recorded in 2016.

Banking competition in Harris County is intense. As of June 30, 2017, the FDIC reported that there were 76 banking institutions competing for the county's market share. The five largest competitors are JPMorgan Chase Bank, N.A. (49 percent), Wells Fargo Bank, N.A. (9 percent), Bank of America, N.A. (8 percent), Compass Bank (6 percent), and ZB, N.A. (4 percent). Since the Huffman Branch opened in Harris County in September 2017 and was not operating in the community until after this FDIC report was published, FLNB was not included in the deposit market share analysis.

Appendix C: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases; (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/AA. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this performance evaluation. Tables are identified by both letters and numbers, which results from how they are generated in supervisory analytical systems.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography – Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower – Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/AA. The table also presents aggregate peer data for the years the data is available.

Table Q. Assessment Area Distribution of Loans to Businesses by Income Category of the Geography – The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. Because small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s AA.

- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** – Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. The table also presents aggregate peer data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** – The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's AA.
- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** – Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. The table also presents aggregate peer data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** – Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households throughout those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** – Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MA/AA.

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography 2015-2016

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Liberty AA	49	4,439	100.0	2,637	2.0	0.0	1.5	17.0	40.82	17.5	60.4	59.1	61.3	20.5	0.0	19.7	0.0	0.0	0.0
Total	49	4,439	100.0	2,637	2.0	0.0	1.5	17.0	40.82	17.5	60.4	59.1	61.3	20.5	0.0	19.7	0.0	0.0	0.0

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography 2017

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Liberty AA	23	1,692	100.0	2,637	2.1	4.3	1.5	24.2	21.7	24.0	42.6	69.5	43.8	31.0	4.3	30.8	0.0	0.0	0.0
Total	23	1,692	100.0	2,637	2.1	4.3	1.5	24.2	21.7	24.0	42.6	69.5	43.8	31.0	4.3	30.8	0.0	0.0	0.0

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2015-2016**

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Liberty AA	49	4,439	100.0	2,637	82.8	75.5	36.1	3.9	24.4	13.4	0.0
Total	49	4,439	100.0	2,637	82.8	75.5	36.1	3.9	24.4	13.4	0.0

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2017**

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Liberty AA	23	1,692	100.0	2,637	84.6	65.2	36.1	4.6	34.7	10.8	0.0
Total	23	1,692	100.0	2,637	84.6	65.2	36.1	4.6	34.7	10.8	0.0

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0

Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography **2015-2016**

Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Liberty AA	44	423	100.0	1.8	0.0	19.9	20.4	60.2	77.2	18.0	2.2	0.0	0.0
Total	44	423	100.0	1.8	0.0	19.9	20.4	60.2	77.2	18.0	2.2	0.0	0.0

*Source: 2010 U.S. Census; 01/01/2015 - 12/31/2016 Bank Data.
Due to rounding, totals may not equal 100.0*

Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography **2017**

Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Liberty AA	27	328	100.0	1.6	0.0	26.0	11.1	41.9	85.1	30.5	3.7	0.0	0.0
Total	27	328	100.0	1.6	0.0	26.0	11.1	41.9	85.1	30.5	3.7	0.0	0.0

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data.
Due to rounding, totals may not equal 100.0*

Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower **2015-2016**

Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Liberty AA	44	423	100.0	23.6	27.7	16.6	25.0	18.7	29.5	41.1	18.1	0.0	0.0
Total	44	423	100.0	23.6	27.7	16.6	25.0	18.7	29.5	41.1	18.1	0.0	0.0

Source: 2010 U.S. Census; 01/01/2015 - 12/31/2016 Bank Data.
 Due to rounding, totals may not equal 100.0

Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower **2017**

Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Liberty AA	27	328	100.0	25.3	25.9	15.8	22.2	18.1	18.5	40.9	33.3	0.0	0.0
Total	27	328	100.0	25.3	25.9	15.8	22.2	18.1	18.5	40.9	33.3	0.0	0.0

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data.
 Due to rounding, totals may not equal 100.0