



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 17, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Liberty Bank, National Association
Charter Number 23264

2351 Edison Boulevard
Twinsburg, OH 44087-0560

Office of the Comptroller of the Currency

Northern Ohio Field Office
200 Public Square Suite 1610
Cleveland, OH 44114-2301

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 bank's loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance.
- A majority of lending activity has occurred inside the bank's assessment areas and meets the standard for satisfactory performance.
- The distribution of loans to borrowers of different incomes and businesses of different sizes is poor and does not meet the standard for satisfactory performance.
- The geographic distribution of home mortgage loans reflects poor dispersion and does not meet the standard for satisfactory performance.
- The geographic distribution of business loans reflects excellent dispersion and exceeds the standard for satisfactory performance.

SCOPE OF EXAMINATION

The evaluation time period is March 17, 2003 (the date of the previous evaluation) through August 17, 2010. We analyzed home mortgage and business loan activity from January 1, 2007 through December 31, 2009. All home mortgage data was considered in our analysis. Analysis of business loan activity is based on a sample of 60 loans for the Cleveland Assessment Area and 40 loans for the Akron Assessment Area, in accordance with sampling guidelines. These loan products are representative of the bank's business lending strategy since the last examination.

Liberty Bank National Association (LBNA) has two assessment areas (AAs) for evaluation purposes, as discussed in the **Description of the Assessment Area** section of this document. The primary AA consists of portions of eastern Cuyahoga County and western Geauga County, which are a part of the Cleveland-Elyria-Mentor Metropolitan Statistical Area (MSA). We selected this area for a full-scope review, as it contains the bank's headquarters, the majority of its branch locations, and a substantial majority of its lending and deposit activity.

The bank's second AA includes eleven census tracts in northeastern Summit County and five census tracts in southern Portage County. These tracts comprise a portion of the Akron, Ohio MSA. We assessed the bank's performance in this AA using limited-scope procedures, as only a small portion of the bank's operations and lending stem from this area.

Information from members of the local community was also considered in our analysis. We contacted two community organizations involved in affordable housing and

economic development initiatives. Refer to the **Description of Assessment Area** section of this document for additional details.

DESCRIPTION OF INSTITUTION

LBNA is a full-service community bank originally headquartered in Twinsburg, Ohio and serving northern Summit County. In 2005, the bank moved its corporate offices to Beachwood, Ohio and expanded into eastern Cuyahoga County. As of December 31, 2009, the bank reported total assets of \$220 million. The bank does not have a holding company or any operating affiliates.

LBNA offers a broad range of loan products including home mortgage, consumer, and commercial loans. The bank also offers a wide range of deposit products, along with online banking, telephone banking, and remote deposit capture. Using bank-generated loan origination reports for the evaluation period, we determined the bank's primary products are business and home mortgage loans. LBNA is active in meeting the credit needs of the business community, and commercial type lending makes up the majority of LNBA's lending activity.

As of December 31, 2009, the bank's loan portfolio was comprised of real estate loans (55 percent), commercial loans (22 percent), and consumer loans (23 percent). The real estate portfolio was comprised of commercial mortgage loans (31 percent), home mortgage loans (17 percent), multifamily residential loans (2 percent), and construction loans (4 percent).

LBNA operates three full-service branches. The bank opened one new office and ATM in Beachwood during the evaluation period. No offices were closed within this same timeframe.

During the evaluation period there were no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the communities it serves. The previous CRA examination was dated March 17, 2003 and resulted in a rating of Satisfactory.

DESCRIPTION OF ASSESSMENT AREA(S)

LBNA's full scope assessment area is described below:

Demographic Information for the Cleveland AA					
Demographic Characteristics	#	Low Income	Moderate Income	Middle Income	Upper Income
Geographies (Census Tracts)	91	3.30%	10.99%	49.45%	36.26%
Population by Income Level of Geography	288,743	1.89%	9.16%	48.39%	40.56%
Family Distribution by Income Level of Geography	76,081	1.69%	7.97%	48.55%	41.79%
Owner-Occupied Housing Units by Income Level of Geography	123,755	1.21%	5.33%	50.16%	43.30%
Businesses by Income Level of Geography	23,475	0.63%	8.90%	36.06%	54.41%
Farms by Income Level of Geography	393	0.51%	7.38%	44.27%	47.84%
Distribution of Families by Income Level Throughout AA	76,081	15.96%	17.72%	21.27%	45.05%
Businesses by Revenue Level	Revenue < = 1 Million	Revenue > 1 Million		Revenue not Reported	
Farm	97.96%	0.76%		1.27%	
Non-Farm	74.90%	6.65%		18.45%	
HUD Adjusted Median (ADM) Family Income 2009 Non-MSA				Unemployment Rate: Dec 2009	
Low Income (below 50% of ADM)		= \$64,800		United States	= 9.3%
Moderate Income (50 to 79.99% of ADM)		= \$0 - \$32,394		Ohio	= 10.8%
Middle Income (80% to 119.99% of ADM)		= \$32,395 - \$51,834		Cuyahoga County	= 9.0%
Upper Income (120% and above ADM)		= \$51,835 - \$77,754		Geauga County	= 7.9%
Households Below the Poverty Level		= \$77,755 - Above			
		= 9,441 [8.03%]			

Sources: 2000 U.S. Census; US Department of Labor; Dun and Bradstreet 2009.

The Cleveland AA is comprised of eastern portions of Cuyahoga County and western portions of Geauga County within the Cleveland-Elyria-Mentor MSA. This AA meets the requirements of the regulation. The bank's main office and all but one of its full-service branches are located in this AA.

COUNTY	MAJOR EMPLOYERS
Cuyahoga	Cleveland Clinic Foundation, US Office of Personnel Management, University Hospital Systems, Giant Eagle Inc, State of Ohio, Cuyahoga County, Progressive Corporation, City of Cleveland
Geauga	Kraftmaid, University Hospitals, Geauga County, Wal-mart, Great Lakes Cheese, West Geauga Schools, Giant Eagle, Kenston Schools

Sources: Crain's Cleveland Business; Geauga County Auditor's Office

There are 18 financial institutions serving the Cleveland AA, based on a June 30, 2009 FDIC deposit market share report. These include nine regional banks, four interstate banks, and five community banks. The number of financial institutions in the AA provides a competitive banking environment. LBNA is ranked eleventh with approximately 2.56 percent of the insured deposit market.

Local economic conditions for the Cleveland AA have weakened during the evaluation period with the continued loss of manufacturing jobs, declining per capita income, and dependency on declining auto manufacturing and steel industries for jobs. The unadjusted unemployment rate as of December 2009 for Cuyahoga County was 9.0 percent, while Geauga County was 7.9 percent. These unemployment rates are comparable to the State of Ohio unadjusted unemployment rate of 10.8 percent.

We determined the community's credit needs by contacting representatives from a local affordable housing and an economic development organization, as well as conducting discussions with bank management. Credit and non-credit needs include:

- Funding for local microloan programs to start or expand small businesses for entities who do not qualify for traditional financing.
- Funding to support individual development accounts (IDAs) for low- and moderate-income households
- Consumer credit counseling for foreclosure prevention and housing counseling for first-time homeowners
- Continued demand for small business loans of \$50,000 or less

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance under the lending test is Satisfactory. This conclusion is based primarily on performance within the Cleveland full-scope AA, as this is the AA where the bank has a majority of its branches and deposits. Since business loans are the bank's primary product, we place more weight on this segment of the bank's lending performance. In addition, lending to businesses of different sizes and business geographic distribution components receive the most weight in our analysis of this component.

See the separate section entitled **Limited Scope – Akron AA** for information on the bank's borrower distribution performance in that limited-scope AA.

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is more than reasonable and exceeds the standards for satisfactory performance given the bank's size and financial condition, and the credit needs of the bank's AAs. The bank's average quarterly loan-to-deposit ratio over the 28 quarters ending December 31, 2009 was 91.89 percent. This was well above the 81.11 percent average experienced by a national peer group of banks during the same period.

It is also noted that LBNA's loan-to-deposit ratio as of December 31, 2009 was 83.95 percent.

Lending in Assessment Area

Table 1 details LBNA's aggregate lending in its AAs by number and dollar volume of loan originations during the evaluation period.

LBNA's record of lending within its AAs is reasonable and meets the standards for satisfactory performance. A majority of lending activity has occurred inside the bank's AAs. As reflected in Table 1, approximately 55 percent of the number of loans originated during the evaluation period were located within the bank's AAs. Furthermore, a substantial majority of the number of business loans were made inside the AAs. We base these percentages on all home mortgage activity, and a sample of business loans originated by the bank during the evaluation period. We placed significantly more weight on business lending activity because commercial lending is the bank's strategic focus.

Table 1 – Lending in LNBA's Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	65	41.67	91	58.33	156	10,200	34.21	19,616	65.79	29,816
Business	75	75.00	25	25.00	100	39,075	59.31	25,682	40.69	64,757
Farming	0	0.00	0	0.00	0	0	0.00	0	0.00	0
Totals	140	54.69	116	45.31	256	49,275	52.10	45,298	47.90	94,573

Sources: Reported HMDA Data and samples of 60 Small Business loans in the Cleveland AA and 40 Small Business loans in the Akron AA.

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

The overall distribution of loans in the Cleveland AA reflects poor penetration among borrowers of different incomes and businesses of different sizes. This conclusion is based on all home mortgage loan originations, and a sample of business loans made during the evaluation period. Refer to Table 2 for the primary data used to assess the borrower distribution of home mortgage lending in the Cleveland AA. Table 3 presents the primary data used to assess the distribution of loans to businesses of different sizes.

Table 2 – Borrower Distribution of Home Mortgage Loans in Cleveland AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	15.96	0.00	17.72	0.00	21.27	8.00	45.05	68.00
Home Improvement	15.96	0.00	17.72	0.00	21.27	50.00	45.05	25.00
Home Refinance	15.96	0.00	17.72	0.00	21.27	5.56	45.05	94.44

Sources: Data reported under HMDA; 2000 U.S. Census data. Income information was not reported for 24% of home purchase loans and 25% of home improvement loans.

The distribution of home purchase, home improvement, and home refinance loans reflects poor penetration among borrowers of different income levels. No loans were made to low-income or moderate-income borrowers.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty level to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. Refer to the **Description of Assessment Areas** section of this document for demographic information including poverty rates.

Consideration was also given to several other factors that impact our findings. LBNA operates in a highly competitive environment with both regional and nationwide banks of considerable size serving its market area. The area's rising unemployment level and uncertainty of continued employment also offer limited opportunities to originate certain types of loans. Finally, the bank does not actively market home mortgage loans, and thus derives most of its home mortgage loans from existing commercial customers.

Table 3 – Distribution of Loans to Businesses of Different Sizes in Cleveland AA						
Size of Business	Size of Business		Size of Business		Size of Business	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business	74.90	43.75	6.65	56.25	18.45	0.00
Farming	97.96	NA	0.76	NA	1.27	NA

Sources: Sample results; 2009 Dun & Bradstreet business & farm data. GAR=Gross Annual Revenues.

The distribution of business loans reflects poor penetration among businesses of different sizes. This is based on a sample of 48 business loans within the AA. Approximately 44 percent of the loans were made to businesses with gross annual revenues of less than \$1 million. According to Dun & Bradstreet business demographic data, 75 percent of area businesses have gross annual revenues less than or equal to \$1 million, although revenue data is not available for approximately 18 percent of the AA's businesses.

Banks with total assets under \$1 billion dollars are not required to report business loan data to financial authorities, although home mortgage loan data reporting is standard for any financial institution residing within an MSA. Consequently, these results may not be truly indicative of the overall lending to business of different sizes but only the lending as reflected in the loan sample chosen for this report.

Geographic Distribution of Loans

The geographic distribution of home mortgage loans reflects poor dispersion among geographies of different income levels, and does not meet the standards of satisfactory performance. The geographic distribution of business loans reflects excellent dispersion and exceeds the standards for satisfactory performance. As previously noted, business loans are the bank’s primary product and we thus place more weight on that performance.

We based this conclusion on performance from the Cleveland AA only. As the Akron AA has no low- or moderate-income census tracts, a geographic distribution analysis is not meaningful for that AA.

Home Mortgage Lending

The geographic distribution of home mortgage loans reflects poor dispersion among geographies of different income levels. In drawing our conclusions we based more weight on moderate-income performance, as this segment of the community represents a larger portion of the AA than the low-income segment. There is limited opportunity to lend to low-income areas, as approximately only one percent of the area’s owner-occupied housing units are located in those portions of the AA. The majority of the bank’s low- and moderate-income census tracts also lie in the far eastern portion of the AA where the bank has little branch presence. Refer to Table 4 below for the primary data used to assess the geographic distribution of home mortgage lending.

Table 4 – Geographic Distribution of Home Mortgage Loans in Cleveland AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	1.21	0.00	5.33	0.00	50.16	12.00	43.30	88.00
Home Improvement	1.21	0.00	5.33	0.00	50.16	25.00	43.30	75.00
Home Refinance	1.21	0.00	5.33	0.00	50.16	0.00	43.30	100.00

Sources: Data reported under HMDA; 2000 U.S. Census data.

Business Lending

The dispersion of business loans among census tracts of different income levels is excellent and reflects lending in most tracts of the AA. The percentages of loans in moderate-income areas substantially exceed the percentages of businesses located in those segments of the AA. Refer to Table 7 below for the primary data used to assess the geographic distribution of business lending.

Table 5 – Geographic Distribution of Loans to Businesses & Farms in Cleveland AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans
Business	0.63	0.00	8.90	22.92	36.06	12.50	54.41	64.58
Farming	0.51	NA	7.38	NA	44.27	NA	47.84	NA

Sources: Sample results; 2009 Dun & Bradstreet business data.

Limited Scope – Akron AA

LBNA’s Akron AA is located in the Akron, Ohio MSA and is comprised of eleven census tracts in Summit County and five census tracts in Portage County. This AA includes four middle-income and twelve upper-income census tracts and the bank’s Twinsburg, Ohio office.

Based on the limited scope review, LBNA’s performance in the Akron AA under the lending test is not inconsistent with the bank’s overall poor performance under the lending test.

Table 6 – Borrower Distribution of Home Mortgage Loans in Akron AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	8.08	0.00	11.39	0.00	20.55	25.00	59.99	75.00
Home Improvement	8.08	0.00	11.39	33.33	20.55	33.33	59.99	33.33
Home Refinance	8.08	0.00	11.39	0.00	20.55	27.27	59.99	54.55

Sources: Data reported under HMDA; 2000 U.S. Census data. Income information was not reported for 18.18% of home refinance loans within the Akron AA.

The distribution of home purchase loans reflects poor penetration among borrowers of different income levels. Percentages of home purchase loans to low- and moderate-income borrowers are significantly below the percentage of low- and moderate-income families in the area.

The distribution of home improvement loans reflects reasonable penetration among borrowers of different income levels. The percentage of home improvement loans to low-income borrowers is significantly below the percentage of low-income families in the area. However, home improvement loans to moderate-income borrowers are significantly above the percentage of moderate-income families in the area.

The distribution of home refinance loans reflects poor penetration among borrowers of different income levels. Percentages of home refinance loans to low- and moderate-income borrowers are significantly below the percentage of low- and moderate-income families in the area.

Consideration is given to several factors which impact these findings. The area’s poverty level limits opportunities to lend to the low-income segment of the community. Approximately 75 percent of this AA consists of upper income geographies with higher median housing valuations, making it more difficult to own a home and maintain it. Furthermore, the area’s rising unemployment level and uncertainty of continued employment offer limited opportunities to originate these types of loans. LBNA also operates in a highly competitive environment with both regional and nationwide banks of considerable size serving its market area. Finally, the bank does not actively market its home mortgage loans, and thus derives most of its home mortgage loans from existing commercial customers.

Table 7 – Distribution of Loans to Businesses & Farms of Different Sizes in Akron AA

Size of Business	GAR ≤ \$1 million		GAR > \$1 million		GAR Not Reported	
	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans
Business	74.12	37.50	6.41	62.50	19.47	0.00
Farming	95.67	NA	2.40	NA	1.92	NA

Sources: Sample results; 2009 Dun & Bradstreet business & farm data. GAR=Gross Annual Revenues

The distribution of business loans reflects poor penetration among businesses of different sizes. This conclusion is based on a sample of 40 business loans originated during the evaluation period. Approximately 38 percent of loans were made to businesses with gross annual revenues of less than \$1 million. According to Dun & Bradstreet business demographic data, approximately 74 percent of area businesses have gross annual revenues less than or equal to \$1 million, although revenue data is not available for approximately 19 percent of the AA’s businesses.

Banks with total assets under \$1 billion dollars do not have to report business loan data to financial authorities, although home mortgage loan data reporting is standard for any financial institution residing in a MSA. Consequently, these results may not be truly indicative of the overall lending to business of different sizes, but only the lending as reflected in the loan sample chosen for this report.

An evaluation of the geographic distribution of loans is not meaningful in the limited-scope AA as there are no low- or moderate-income geographies in this AA

Responses to Complaints

LBNA has not received any written complaints during the evaluation period regarding its performance in meeting the credit and deposit needs of its AAs.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.