



## **PUBLIC DISCLOSURE**

January 18, 2016

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Liberty National Bank  
Charter Number 5425

118 South Main Street  
Ada, OH 45810

Office of the Comptroller of the Currency

Westlake Center  
4555 Lake Forest Drive, Suite 610  
Cincinnati, OH 45242-3760

**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.**

- A majority of Liberty National Bank's (LNB) lending activity occurs within its identified assessment areas (AAs).
- LNB's loan-to-deposit ratio is more than reasonable compared to other similarly situated financial institutions within its AAs.
- LNB's lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration.
- LNB's lending activity reflects reasonable dispersion within the moderate-income census tracts (CTs) in its AAs.

**SCOPE OF EXAMINATION**

We used the Small Bank Community Reinvestment Act (CRA) procedures to assess LNB's CRA performance. We evaluated the reasonableness of LNB's loan-to-deposit ratio, lending within its AA, reasonableness of its lending penetration to borrowers of different levels and business of different sizes, and reasonableness of its geographic distribution of lending within its AA. In addition, we also assessed LNB's responsiveness to CRA-related complaints and compliance with fair lending laws and regulations.

Our review period covered lending activity for the years 2013 and 2014. We reviewed LNB's primary lending products over that period, which were residential real estate and commercial/commercial real estate loans. The following table provides detail regarding LNB's lending origination volumes by loan type during the evaluation period.

<b>2013 &amp; 2014 Lending Origination Volume</b>		
<b>Loan Type</b>	<b>Percentage by number of loans originated</b>	<b>Percentage by dollar amount of loans originated</b>
<b>Commercial/Commercial Real Estate</b>	<b>33%</b>	<b>64%</b>
<b>Residential Real Estate</b>	<b>31%</b>	<b>18%</b>
<b>Home Equity Lines of Credit</b>	<b>15%</b>	<b>3%</b>
<b>Consumer Installment</b>	<b>14%</b>	<b>1%</b>
<b>Agricultural/Farmland</b>	<b>7%</b>	<b>14%</b>

*Source:* The percentages reflected in the above table are based on bank-reported originations during 2013 and 2014.

We used LNB's 2013 and 2014 Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) data to assess its residential real estate lending performance. To assess its commercial/commercial real estate performance within its AAs, we evaluated a random sample of 40 commercial/commercial real estate loans originated in 2013 and 2014.

## **DESCRIPTION OF INSTITUTION**

LNB is an intrastate community bank and is a wholly-owned subsidiary of a one-bank holding company (Liberty Bancshares, Inc.). Both LNB and its holding company are located approximately 80 miles northwest of Columbus, Ohio, in the village of Ada, Ohio (Hardin County). Its primary business focus is commercial, retail, and agricultural banking products and services. LNB offers these traditional products and services through five full-service branches (Ada, Kenton, 2 branches in Bellefontaine, and Marysville). In January 2008, LNB opened a branch in Marysville, Ohio, which is the county seat of Union County. On October 1, 2012, the bank opened its second location on the south side of Bellefontaine, Ohio (Logan County seat). During September 2009, LNB closed its Kenton Plaza Branch Office, which was an additional location in Kenton, Ohio.

Currently, no legal or economic impediments exist that could restrict LNB's ability to service the community's credit needs. The bank earned a rating of satisfactory at their prior CRA evaluation (December 13, 2012).

As of September 30, 2015, LNB reported total assets of \$262.6 million, Tier One Capital of \$25.5 million, and gross loans of \$184.4 million. Commercial/commercial real estate loans represented nearly 47 percent of gross loans, residential real estate loans were 27 percent of gross loans, and agricultural/farm ground accounted for 16 percent of gross loans.

## **DESCRIPTION OF ASSESSMENT AREAS**

LNB has two AAs: one is a Non-Metropolitan Statistical Area (MSA) AA consisting of Hardin and Logan Counties. The other AA is located in the Columbus, Ohio MSA and consists of Union County. These two AAs include all of LNB's offices, meet the requirements of the regulation, and do not arbitrarily exclude any low- or moderate-income areas. Overall competition for loans and deposits within the bank's two AAs is moderate and comes from several local community banks and branches of regional/national institutions.

### **Non-MSA AA:**

The Non-MSA AA consists of 18 CTs. Of these CTs, three are upper-income, 14 are middle-income, and one is moderate-income (no low-income CTs). This AA represents LNB's primary market territory (i.e., 90 percent of residential real estate loans originated in the Non-MSA AA); we give it more weight in our overall evaluation.

Based on the 2010 Census, the Non-MSA AA had a population of 77,916 with 20,578 total families (30,166 total households). The Weighted Average of the Department of Housing and Urban Development (HUD) Updated Median Family Income for the Non-MSA AA for 2013 and 2014 was \$54,071. Of all the families living in the Non-MSA AA, 20.07 percent are low-income (14.56 percent of all households live below the poverty level), 16.37 percent are moderate-income, 23.18 percent are middle-income, and 40.38 percent are upper-income. Of this AA's 21,613 owner-occupied housing units, 11.67 percent are located in the one moderate-income CT, 69.83 percent are in the middle-income CTs, and 18.50 percent are in the upper-income CTs.

Based on 2014 Business Geodemographic Data (Dun & Bradstreet) for this AA, 70.7 percent of all non-farm businesses reported gross annual revenues of \$1 million or less, 4.31 percent reported gross annual revenues of more than \$1 million, and 25 percent did not report any revenue (NR). Of all the non-farm businesses in this AA, 19.9 percent are in the moderate-income CT, 63.61 percent are in the middle-income CTs, and 17.21 percent are in the upper-income CTs.

LNB has the largest deposit market share (21.3 percent) among the 17 other financial institutions accepting deposits in the two counties in the Non-MSA AA. Huntington National Bank has the next largest deposit market share at 15.21 percent, and Citizens Federal Savings and Loan Association is third with a deposit market share at 12.77 percent. This deposit market share information was obtained from the FDIC's June 30, 2015 Deposit Market Share report/database.

The economic conditions in this AA continue to improve. Despite only showing modest improvement since the 2008/2009 recession in the last evaluation, the area is now indicating substantial improvement. Between 2014 and 2015, Hardin County saw \$200 million in new capital investments as the area has attracted new business and several established businesses have or plan to expand. As such, the unemployment rates for Hardin and Logan counties of 4.2 percent and 4.0 percent, respectively, have improved since 2012 and are outperforming the state unemployment rate of 4.4 percent and the national unemployment rate of 5.0 percent.

Our community contact indicated there are opportunities for small and large business lending, and local financial institutions have met those needs. In addition, the contact said there could always be more business and commerce coming to the area, but they were pleased with the direction things are heading. The overall reputation of local financial institutions is positive. Employees of these institutions are actively involved in the various boards and committees that serve to improve the county and/or its citizens.

**Columbus, Ohio MSA AA:**

The Columbus, Ohio MSA AA consists of ten CTs. Of these CTs, one is a moderate-income CT, four are middle-income CTs, and five are upper-income CTs (no low-income CTs).

Based on the 2010 Census, this MSA AA had a population of 52,300 with 13,215 families (17,826 households). The Weighted Average of HUD Updated Median Family Income for this AA for 2013 and 2014 was \$76,513. Of all the families living in this AA, 13.69 percent are low-income (6.33 percent of all households live below the poverty level), 14.04 percent are moderate-income, 22.21 percent are middle-income, and 50.06 percent are upper-income.

Based on 2011 Business Geodemographic Data (Dun & Bradstreet) for this MSA AA, 72.30 percent of all non-farm businesses reported gross annual revenues of \$1 million or less, 5.06 percent reported gross annual revenues of more than \$1 million, and 22.64 percent did not report any revenue (NR).

Per the FDIC's June 30, 2015 Deposit Market Share report/database, LNB has a deposit market share of 1.75 percent in this AA, which is seventh out of nine total financial institutions accepting deposits in this county.

Based on the November 2015 unemployment rate for Union County (3.4 percent), the economic conditions of this MSA AA are better than those in the Non-MSA AA.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

LNB's performance under the lending test is satisfactory.

### **Loan-to-Deposit Ratio**

LNB's loan-to-deposit (LTD) ratio is more than reasonable compared to other similarly situated financial institutions and demographic and economic factors within its AAs. LNB's average LTD ratio over the past 12 quarters (since the previous CRA evaluation) is 84 percent. LNB's quarterly LTD ratio ranged from a low of 78 percent (March 31, 2013) to a high of 89 percent (September 30, 2014). The average LTD ratio for similarly situated locally owned financial institutions headquartered within either of LNB's two AAs (Hardin, Logan, or Union Counties) is 56 percent. When comparing the seven most similarly situated financial institutions within the bank's AA (Hardin, Logan, or Union Counties), LNB had the second highest average LTD ratio over 12 quarters.

### **Lending in Assessment Area**

A majority of LNB's lending activity occurs inside its AA. To assess performance for this criterion, we used LNB's reported HMDA LAR data for 2013 and 2014 (residential real estate loans). We also randomly sampled 40 commercial/commercial real estate loans, 20 loans from 2013 and 20 loans from 2014. See table below for details.

Of LNB's total residential real estate loans originated in its AA, 90 percent originated in the Non-MSA AA. In total, the bank originated 32 of 257 commercial loans in the MSA AA during 2013 and 2014. Given these two facts, lending in the Non-MSA AA was given the greatest weight for this criterion.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
							(000)		(000)	
Residential RE	203	74%	65	26%	268	\$22,130	76%	\$8,309	24%	\$30,439
Commercial/ Commercial RE	18	45%	22	55%	40	\$5,074	24%	\$15,810	76%	\$20,884
Totals	221	72%	87	28%	308	\$27,204	53%	\$24,119	47%	\$51,323

Source: 2013 & 2014 bank reported HMDA LAR data (308 loans) and a random sample of 40 commercial/commercial real estate loans regardless of location.

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

LNB’s lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration.

**Non-MSA AA:**

Lending to borrowers of different incomes and to businesses of different sizes in the Non-MSA AA reflects reasonable penetration.

**Residential Real Estate Lending**

LNB’s home mortgage lending to low- and moderate-income borrowers is reasonable and approximates key demographic data (percentage of AA families by income level). While total real estate lending to low-income borrowers (10.82 percent) is significantly lower than the percentage of low-income families (20.07 percent), 14.56 percent of AA’s households live below the poverty level and may have difficulty meeting the minimum credit standards, which provides further support for overall reasonable performance. Total real estate lending to moderate-income borrowers (17.32 percent) exceeds the percentage of moderate-income families (16.37 percent) in the AA.

Borrower Distribution of Residential Real Estate Loans in Non-MSA AA									
Borrower Income Level	Low		Moderate		Middle		Upper		Borrower Income reported as “N/A”
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	% of Number of Loans
Home Purchase	20.07%	10.62%	16.37%	18.58%	23.18%	19.47%	40.38%	43.36%	7.97%
Home Improvement		0.00%		12.50%		25.00%		37.50%	25.00%
Refinancing		11.82%		16.36%		16.36%		46.36%	9.10%
Total HMDA		10.82%		17.32%		18.18%		44.59%	9.09%

Source: 2013 & 2014 bank reported HMDA LAR data. Demographic data is from the 2010 U.S. Census.

**Commercial/Commercial Real Estate Lending**

LNB’s business lending activity in the non-MSA AA reflects reasonable penetration to businesses of different sizes, especially small businesses. The following table provides a summary of LNB’s lending by revenue size of the business.

<b>Borrower Distribution of Loans to Businesses in the Non-MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.70%	4.31%	24.99%	100%
% of Bank Loans in AA by #	55.00%	45.00%	0.00%	100%
% of Bank Loans in AA by \$	29.13%	70.87%	0.00%	100%
<i>Source: Sample of 20 commercial/commercial real estate loans in this AA.</i>				
<i>Demographic data is from Business Geodemographic.</i>				

Given LNB’s performance is lower than the key demographic data (percent of AA businesses with revenues of \$1 million or less) and there was a significant percentage of businesses with “unavailable/unknown” revenue information (about 25 percent), we also analyzed the borrower distribution of loans to businesses by loan size. The vast majority of loans to businesses (77 percent) were originated in amounts of \$500,000 or less. In addition, 41 percent of those loans were originated in amounts of \$100,000 or less. See the following table for detail.

<b>Borrower Distribution of Loans to Businesses by Loan Size</b>				
Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	106	41%	4,830,961	5%
\$100,001 - \$250,000	54	21%	9,211,214	9%
\$250,001 - \$500,000	38	15%	13,769,976	14%
\$500,001 - \$1,000,000	31	12%	21,540,444	22%
Over \$1,000,000	28	11%	49,602,506	50%

*Source: Internal Bank Reports from 2013 & 2014.*

**Columbus, Ohio MSA AA:**

Lending to borrowers of different incomes and to businesses of different sizes within the MSA AA reflects reasonable penetration. Residential real estate lending activity (a total 24 loans) reflects poor penetration, while commercial/commercial real estate lending reflects reasonable penetration.

**Residential Real Estate Lending**

LNB’s lending to low- and moderate-income borrowers reflects poor penetration compared to demographic data (percentage of AA families by income level). There was no lending to low-income borrowers during the review period and lending to moderate-income borrowers was lower than the percentage of moderate-income families in the MSA AA. Low-income families make up 13.69 percent of borrowers with 5.1 percent of the families living below the poverty level. As a result, several households may have difficulty meeting the minimum credit standards, which provides further explanation as to the bank’s performance in this AA.

<b>Borrower Distribution of Residential Real Estate Loans in the MSA AA (24 Total Loans)</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Borrower Income reported as “N/A”
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	% of Number of Loans
Home Purchase	13.69%	0.00%	14.04%	9.09%	22.21%	0.00%	50.06%	90.91%	0.00%
Home Improvement		0.00%		0.00%		0.00%		0.00%	
Refinancing		0.00%		7.69%		46.15%		30.77%	15.39%
Total HMDA		0.00%		8.33%		25.00%		58.33%	8.34%

Source: 2013 & 2014 bank reported HMDA LAR data (24 loans). Demographic data is from the 2010 U.S. Census.

**Commercial/Commercial Real Estate Lending**

LNB’s lending activity reflects reasonable penetration to business of different sizes. The following table provides a summary of LNB’s lending by revenue size of the business based on our sample.

<b>Borrower Distribution of Loans to Businesses in the MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.30%	5.06%	22.64%	100%
% of Bank Loans in AA by #	60.00%	40.00%	0.00%	100%
% of Bank Loans in AA by \$	28.00%	72.00%	0.00%	100%

Source: Sample of 20 commercial/commercial real estate loans originated in this AA. Demographic data is from Business Geodemographic.



Given the significant percentage of businesses with “unavailable/unknown” revenue information (22.64 percent), we also analyzed the borrower distribution of loans to businesses by loan size. Of the 20 commercial/commercial loans originated in the review period, 16 (80 percent) were in amounts of \$250,000 or less and eight of these loans (40 percent) were in amounts of \$100,000 or less.

**Geographic Distribution of Loans**

LNB’s lending activity reflects reasonable dispersion within its AA. Analysis is focused on dispersion within the moderate-income CTs as both the non-MSA and the MSA AAs do not have low-income CTs.

**Non-MSA AA:**

Geographic distribution of loans within the non-MSA AA reflects reasonable dispersion as the residential real estate lending shows reasonable dispersion and the business lending shows excellent dispersion.

**Residential Real Estate Lending**

LNB’s residential real estate lending within moderate-income CTs reflects reasonable dispersion. The dispersion is lower than demographic data; however, if analyzing only the purchase and home improvement loans, the bank’s lending reflects a higher level of dispersion.

<b>Geographic Distribution of Residential Real Estate Loans in Non-MSA AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	11.67%	10.62%	69.83%	65.49%	18.50%	23.89%
Home Improvement		12.50%	69.83%	62.50%		25.00%
Refinancing		3.64%	69.83%	62.73%		33.63%
Total HMDA		7.36%	69.83%	64.07%		28.57%

*Source: 2013 & 2014 bank reported HMDA LAR data. Demographic data is from the 2010 U.S. Census*

Commercial/Commercial Real Estate Lending

LNB’s business lending within the moderate-income CTs reflects excellent dispersion as it exceeds the demographic data of its AA. Please refer to the following table for details.

<b>Geographic Distribution of Commercial/Commercial Real Estate Loans in Non-MSA AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
Loan type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial/Commercial Real Estate	19.19%	20.00%	63.61%	60.00%	17.20%	20.00%

Source: Sample of 20 commercial/commercial real estate loans in this AA; Demographic data from Business Geodemographic.

**Columbus, Ohio MSA AA:**

Geographic distribution of loans within the MSA AA reflects reasonable dispersion as the residential real estate lending shows reasonable dispersion and the business lending shows excellent dispersion.

Residential Real Estate Lending

LNB’s lending in this area reflects reasonable dispersion in comparison to the demographic data totals. Overall, the dispersion is slightly below the level of owner occupied housing within the AA; however, the level of purchases exceeds the demographic data for the moderate-income CTs. Please see chart below for details.

<b>Geographic Distribution of Residential Real Estate Loans in MSA AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	6.84%	9.00%	39.00%	0.00%	54.16%	90.91%
Home Improvement	6.84%	0.00%	39.00%	0.00%	54.16%	0.00%
Refinancing	6.84%	0.00%	39.00%	38.46%	54.16%	61.54%
Total HMDA	6.84%	4.17%	39.00%	18.72%	54.16%	75.00%

Source: 2013 & 2014 bank reported HMDA LAR data. Demographic data is from the 2010 U.S. Census

**Commercial/Commercial Real Estate Lending**

LNB’s business lending within moderate-income CTs reflects excellent dispersion as it exceeds the demographic data of its AA. Please refer to the following table for details.

<b>Geographic Distribution of Commercial/Commercial Real Estate Loans in MSA AA</b>						
Census Tract Income Level	Moderate		Middle		UPPER	
Loan type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial/Commercial Real Estate	13.64%	28.00%	34.37%	60.00%	51.99%	12.00%

*Source: Sample of 20 commercial/commercial real estate loans in this AA; Demographic data from Business Geodemographic.*

**Responses to Complaints**

Neither LNB nor our office has received any complaints about LNB’s CRA performance during the review period.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES**

Pursuant to 12 CFR 25.28(c) in determining a national bank’s (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.