



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**April 25, 2006**

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

**Liberty National Bank  
Charter Number 5425**

**118 South Main Street  
Ada, Ohio 45810**

**Comptroller of the Currency  
Central Ohio Field Office  
325 Cramer Creek Court, Suite 101  
Dublin, Ohio 43017**

**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.**

- This bank's lending activity reflects good dispersion to all income areas with its assessment area (AA).
- This bank's lending activity reflects reasonable distribution to small business, small farms, and low- and moderate-income borrowers.
- This bank's loan-to-deposit ratio is reasonable when compared with the performance of other similarly situated banks within its AA.

## **DESCRIPTION OF INSTITUTION**

Liberty National Bank (LNB) is a wholly owned subsidiary of a one-bank holding company, Liberty Bancshares, Inc. Both LNB and its holding company are headquartered in the village of Ada, Ohio in Hardin County, which is about 75 miles northwest of Columbus, Ohio and 16 miles east of Lima, Ohio (the closest metropolitan statistical area). LNB has no other affiliates. Besides its main office, LNB has three additional full-service branches. Two of these branches are in Kenton, Ohio (16 miles southeast of Ada) also in Hardin County and a third is located in Bellefontaine, Ohio (approximately 30 miles south of Ada), which is in Logan County. Since the last CRA examination, LNB did close its limited service branch (no lending activity) in Alger, Ohio (approximately six miles southwest of Ada) as that community can be and is served by the main office in Ada, Ohio. LNB offers commercial, agricultural, and retail banking products and services. While LNB offers retail loan products, it has been focusing more on increasing commercial and agricultural lending. No legal or financial impediments exist that could restrict LNB's ability to meet the credit needs of its assessment area. LNB's last CRA examination commenced on October 25, 1999, and a "Satisfactory" rating was assigned.

As of March 31, 2006, LNB reported \$156.9 million in total assets, \$133.3 million in total deposits, and \$116.3 million in net loans. According to the FDIC's June 30, 2005 Deposit Market Share Report for both Hardin and Logan Counties, the bank had a 13.15% market share (2<sup>nd</sup> largest out of 18 financial institutions) with \$126.1 million in deposits.

## **DESCRIPTION OF ASSESSMENT AREA**

LNB's assessment area (AA) consists of one moderate-income census tract (CT), 14 middle-income CTs, and three upper-income CTs covering all of Hardin and Logan Counties. The bank does not have any low-income areas in its AA. LNB's AA is not within a metropolitan statistical area (MSA). The 2005 Updated Median Family Income for non-MSA areas of the state of Ohio was \$50,700. As of the 2000 Census, the total population of this AA was 77,950 with 29,901

households, and 34,478 housing units. Please refer to the various tables in the **CONCLUSIONS ABOUT PERFORMANCE CRITERIA** section of this document for relevant demographic information used to evaluate LNB's lending performance. LNB's AA complies with all regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

Competition for loans and deposits is strong with a total of 18 financial institutions of all types and sizes accepting deposits and making loans within Hardin and Logan Counties. In addition, there are 11 non-bank entities (mortgage companies, agricultural lending companies, and other lending companies) offering loans in this AA as well as all the available on-line entities offering lending products. Our discussion with a local small business development officer indicated that credit needs for small business and home mortgage financing are being met by local financial institutions. The contact indicated that the financial industry is well represented, and all credit worthy customers have readily available access to loan funds.

The economy of the AA is good. The March 2006 unemployment rates were 5.2% for Hardin County and 4.7% for Logan County. These compare with the State of Ohio's unadjusted rate of 5.3% and the national unadjusted rate of 4.8% for March 2006. The largest industries include manufacturing, state and local governments, retail trade, and accommodation and food services. The largest employers are Honda Motor Company, International Paper Company, Dana Glacier Daido America LLC, and Ohio North University.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

- Based on criteria for the CRA Lending test, LNB's lending performance is satisfactory.

To evaluate LNB's CRA lending performance, we focused on its: quarterly loan-to-deposit ratio since the last CRA examination and compared it to similarly situated banks within its assessment area (AA); record of lending in its AA; record of lending to business and farms of different sizes and borrowers of different income levels within its AA, especially small business and farms and low- and moderate-income borrowers; and geographic distribution of lending in the moderate-income geography in its AA. We reviewed lending activity for all of 2004, 2005 and year-to-date 2006. As illustrated by the following table, the bank's primary lending products were commercial/commercial real estate, farm, and residential real estate loans.

<b>Loan Type</b>	<b>% by Dollar Amt of Loans Originated during the evaluation period</b>	<b>% by Number of Loans Originated during the evaluation period</b>
Commercial/Commercial RE	43%	23%
Farm Loans	24%	16%
Residential Real Estate	19%	12%
Total Primary Loan Types	86%	51%
Consumer	5%	30%
HELOC	7%	15%
Other	2%	4%
Total	100%	100%

To assess LNB's record of lending in its assessment area, we randomly selected 20 loans from each of its three primary loan types, regardless of location, originated during the review period. We sampled 20 loans from each of LNB's primary loan types within its AA, made during the review period, to evaluate its borrower and geographic distributions.

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

- LNB's LTD ratio is reasonable when compared with the performance of other similarly situated banks within its AA.

Since the prior CRA examination, LNB's quarterly LTD ratio averaged 83% over 26 quarters. This compares with the quarterly LTD ratio average of 81% for similarly situated banks within LNB's AA over the same time period. Similarly situated banks included the three other commercial banks taking deposits within LNB's AA with total deposits between \$80 million and \$250 million.

### **Lending in Assessment Area**

- A substantial majority of LNB's lending activity occurs within its AA.

Based on a random sample of 20 loans from each of the bank's primary loan types originated from 2004 through year-to-date 2006, this bank made 80%, based on the number of loans, and 91%, based on the dollar amount of loans, within its assessment area.

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

- LNB's lending to businesses and farms of different sizes, especially small businesses and farms, and borrowers of different income levels, especially low- and moderate-income, is reflective of satisfactory performance when compared to the demographics of its AA. Please refer to the data in the following tables for support of this conclusion.

<b>Borrower Distribution of Commercial/Commercial Real Estate Loans made in AA</b>				
Business Revenues	Less than or equal to \$1 million	More than \$1 million	Revenue not reported	Total
% of AA Businesses	55.63%	4.54%	39.83%	100.00%
% of Bank Loans in AA by #	80.00%	20.00%	0.00%	100.00%
% of Bank Loans in AA by \$	79.03%	20.97%	0.00%	100.00%

*Demographic Data Source: 2005 Business Geodemographic Data.*

*Bank Loan Source: Random sample of 20 commercial/commercial real estate loans within the AA originated during the evaluation period.*

<b>Borrower Distribution of Farm Loans made in AA</b>				
Farm Revenues	Less than or equal to \$1 million	More than \$1 million	Revenue not reported	Total
% of AA Farms	96.02%	2.55%	1.43%	100.00%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100.00%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100.00%

*Demographic Data Source: 2005 Business Geodemographic Data.*

*Bank Loan Source: Random sample of 20 farm loans within the AA originated during the evaluation period.*

<b>Borrower Distribution of Residential Real Estate Loans made in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
	16.09%	5.00%	18.87%	30.00%	23.91%	50.00%	41.13%	15.00%

*Demographic Data Source: 2000 U.S. Census.*

*Bank Loan Source: Random sample of 20 residential real estate loans within the AA originated during the evaluation period.*

The distributions for all these lending products are reasonable to good. While the distribution to business with revenues of \$1 million or less significantly exceeds the reported demographics of the AA, the facts that nearly 40% of the businesses in the AA reported no revenue information for this demographic data and the distribution of businesses with revenues greater than \$1 million also exceeds the reported demographics of the AA preclude a rating of more than reasonable distribution for commercial/commercial real estate lending. Penetration to low-income borrowers for residential real estate loans is lower than the percentage of low-income families in the AA, but is reasonable as 7.79% of the families in the AA live below the poverty line. Distribution of residential real estate lending to moderate-income borrowers significantly

exceeds the percentage of moderate-income families living in the AA and is excellent. Penetration of loans to farms with revenues of \$1 million or less is excellent.

**Geographic Distribution of Loans**

- LNB’s geographic distribution of loans reflects reasonable dispersion to all areas within its AA, including the moderate-income area. Please refer to the following tables for support of this conclusion.

<b>Geographic Distribution of Commercial/Commercial Real Estate Loans made in AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Bank Loans	% of AA Businesses	% of Number of Bank Loans	% of AA Businesses	% of Number of Bank Loans
	7.70%	15%	74.91%	85%	17.39%	0.00%

*Demographic Data Source: 2005 Business Geodemographic Data.*

*Bank Loan Source: Random sample of 20 commercial/commercial real estate loans within the AA originated during the evaluation period.*

<b>Geographic Distribution of Farm Loans made in AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
	% of AA Farms	% of Number of Bank Loans	% of AA Farms	% of Number of Bank Loans	% of AA Farms	% of Number of Bank Loans
	2.07%	5%	81.37%	85%	16.56%	10%

*Demographic Data Source: 2005 Business Geodemographic Data.*

*Bank Loan Source: Random sample of 20 farm loans within the AA originated during the evaluation period.*

<b>Geographic Distribution of Residential Real Estate Loans made in AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
	% of AA Owner Occupied Housing Units	% of Number of Bank Loans	% of AA Owner Occupied Housing Units	% of Number of Bank Loans	% of AA Owner Occupied Housing Units	% of Number of Bank Loans
	4.85%	5%	75.37%	90%	19.78%	5%

*Demographic Data Source: 2000 U.S. Census.*

*Bank Loan Source: Random sample of 20 residential real estate loans within the AA originated during the evaluation period.*

Our analysis reflected lending in most tracts, including the one moderate-income tract, and there were no conspicuous gaps or areas of low penetration in the LNB’s lending pattern. The dispersion in the moderate-income tract for all three primary loan types is good to excellent. The dispersion of business lending in the moderate-income tract is excellent and the dispersion of farm and residential real estate lending is good to excellent.

### **Responses to Complaints**

Neither bank management nor our office received any complaints regarding LNB’s CRA performance. Therefore, this performance criterion is not applicable.

### **Fair Lending or Other Illegal Credit Practices Review**

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