



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

October 25, 1999

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 202
Dublin, Ohio 43017**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Liberty National Bank, Ada, Ohio, as prepared by The Comptroller of the Currency, the institution's supervisory agency, as of October 25, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: Satisfactory record of meeting community credit needs. This rating is supported by:

- The bank's lending patterns indicate a reasonable distribution to borrowers of different income levels and businesses of different sizes,
- A majority of the bank's lending activity occurs within its assessment area and is reasonably dispersed throughout the area,
- The bank's loan-to-deposit ratio is reasonable in comparison to the ratios of its peer banks.

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, which is 75 miles northwest of Columbus, Ohio. The bank also operates three additional full-service branches. Two of these branches are in Kenton (about 15 miles east of Ada), with the more recent branch purchased in December 1997. The bank purchased the third branch in Bellefontaine (about 30 miles south of Ada) in May 1996. The bank continues to operate a limited service branch (no lending activity) in Alger (about seven miles south of Ada). Out of its four full-service locations, the bank offers primarily retail banking products and services, as well as some commercial and agricultural products and services. The bank has one off-premise ATM on the Campus of Ohio Northern University, which is located in Ada, Ohio.

As of the June 30, 1999 Call Report, the bank had \$151.6 million in total assets with net loans representing 56.8% of that asset base. Residential real estate accounted for 35.1% of the bank's loan portfolio, commercial and commercial real estate represented 32.5%, consumer loans accounted for 15.5%, with agricultural loans representing 9.2%, and various other categories 7.7%.

At the prior CRA examination, as of May 3, 1996, the bank received an outstanding CRA rating. No legal or financial impediments exist that could restrict the bank's ability to serve the community's credit needs.

DESCRIPTION OF ASSESSEMENT AREA

The bank's Assessment Area (AA) consists of three moderate-income (16.7%) Block Numbering Areas (BNAs), 14 (77.8%) middle-income BNAs, and one (5.5%) upper-income BNA. It includes all seven BNAs in Hardin County and all 11 BNAs in Logan County. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 1999 Department of Housing and Urban Development estimated family income for non-metropolitan statistical areas of Ohio is \$43,200. Of all the families living in the AA, 18.9% are classified as low-income (with 9.9% living below the poverty line), 17.8% are classified as moderate-income, 25.4% are classified as middle-income, and 37.9% are classified as upper-income. Businesses with revenues of less than \$1 million (considered small business for the regulation) account for 91.1% of all the business entities in the AA. As of the 1990 Census, the AA had a population of 73,421. The AA had 31,449 housing units, with 62.8% owner-occupied. The median housing value, as of the 1990 Census, was \$49,388.

The economic condition of the AA is good. The AA is primarily rural with an agricultural and small manufacturing focus. The labor force is mostly employed in small manufacturing, retail, and service industries. The largest employers include Meritor (formerly Rockwell International), Hardin County Schools, Ohio Northern University, Imperial Bondware, Wilson Sporting Goods, and Honda. As of August 1999, the unemployment rates of both Hardin and Logan counties (3.5% and 3.0%, respectively) compare favorably with the state of Ohio's rate of 4.0% and the national rate of 4.2%.

Competition in Hardin County comes from branches of two regional banks, a local savings and loan association, three local community banks, and banks with mortgage lending strategies from Lima. In Logan County, competition consists of branches of four regional banks, a local savings and loan association, a local community bank, and a local credit union. Our discussions with an economic development officer and a real estate broker indicated that the banking and credit needs are being met by the financial institutions in the AA. They identified needs as financing for middle-income (\$80,000 to \$110,000) housing, and lending to both small and large businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

The bank's loan-to-deposit (LTD) ratio is reasonable. Over the 13 quarters since the last CRA examination, the bank's quarterly LTD ratio averaged 67.0%. This is within quarterly averages exhibited by national peer banks (72.2%) and regional peer banks (76.1%). Regional peer consists of similar size banks with similar loans portfolio structures located in Ohio, Indiana, Kentucky, and West Virginia. The bank's LTD ratio of 66.2%, as of June 30, 1999, is within the LTD range of 50.4% and 91.2% exhibited by banks in its AA.

Lending in Assessment Area:

The bank makes a majority of its loans within its AA. The bank's primary loans types are residential real estate, consumer, commercial, and commercial real estate. The bank tracks all of its residential real estate loans by location. Using that tracking, we reviewed all residential real estate loans made in 1999. We only used 1999 information because the bank just started consistently tracking residential real estate loans in 1999. According to that review, the bank made 90.7%, based on number of loans, and 88.1%, based on dollar amount of loans, in its AA. We also sampled 20 consumer loans and 20 commercial loans made in 1999. Of those loans samples, 80.0% of the number and 87.1% of the dollar amount, were made within the bank's AA.

Geographic Distribution of Loans:

The bank's geographic distribution of loans reflects reasonable dispersion through its AA. Our analysis of the loan sample reflects lending in the three types of income tracts for residential real estate loans, consumer loans, and commercial and commercial real estate loans. The apparent low penetration in moderate-income tracts is explained by our discussions with community contacts. Those contacts stated that there is a strong need for middle-income (\$80,000 to \$110,000) housing. They also indicated that the local financial institutions were meeting all the banking and credit needs of the community. The following tables illustrate the distribution of loans in each type of income geography in the AA.

DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN THE AA*			
	% of total owner occupied units in each type of income tract	% of loans in each type of income tract (#)	% of loans in each type of income tract (\$)
Moderate-Income Tracts (3)	14.0%	9.6%	7.2%
Middle-Income Tracts (14)	79.4%	86.7%	88.8%
Upper-Income Tract (1)	6.6%	3.7%	4.0%

*Used all residential real estate loans made in 1999 as discussed under *Lending in Assessment Area*.

The following two tables include only loans made in the AA, as determined in the previously identified sample.

DISTRIBUTION OF CONSUMER LOANS IN THE AA			
	% of total population living in each type of income tract	% of loan sample in each type of income tract (#)	% of loan sample in each type of income tract (\$)
Moderate-Income Tracts (3)	13.6%	7.7%	11.8%
Middle-Income Tracts (14)	80.6%	92.3%	88.2%
Upper-Income Tracts (1)	5.8%	0%	0%

DISTRIBUTION OF COMMERCIAL/ COMMERCIAL REAL ESTATE LOANS IN THE AA			
	% businesses in each type of income tract	% of loan sample in each type of income tract (#)	% of loan sample in each type of income tract (\$)
Moderate-Income Tracts (3)	19.3%	15.8%	4.2%
Middle-Income Tracts (14)	76.6%	84.2%	95.8%
Upper-Income Tract (1)	4.1%	0%	0%

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes:

The bank’s lending to borrowers of different income levels and businesses of different sizes is reasonable. Based on the residential real estate and consumer loan samples, distribution to borrowers in different income categories reflects penetration to all income categories. The aggregate of loans originated to low- and moderate-income borrowers is in excess of the aggregate percentage of families in both the low- and moderate-income categories in the AA.

Based on the commercial and commercial real estate loan sample, distribution of loans to businesses of different sizes indicates lending to both small and large businesses. The low representation to small businesses is not a concern given the fact that community contacts indicated a need for both small and large business financing.

The following three tables support the above facts.

<u>DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOAN SAMPLE BY BORROWER INCOME*</u>		
Income Category	% of families by income category in the AA	% of sample in each category.
Low-Income	18.9%	21.1%
Moderate-Income	17.8%	36.8%
Middle-Income	25.4%	15.8%
Upper-Income	37.9%	26.3%

*This distribution is based on a sample of 19 residential real estate loans originated during 1999.

The following two tables include only loans made in the AA, as determined in the previously identified consumer and commercial/commercial real estates samples.

<u>DISTRIBUTION OF CONSUMER LOANS SAMPLE BY INCOME LEVEL</u>		
Income Category	% of families by income category in the AA	% of sample in each category
Low-Income	18.9%	15.4%
Moderate-Income	17.8%	53.9%
Middle-Income	25.4%	23.1%
Upper-Income	37.9%	7.6%

<u>DISTRIBUTION OF COMMERCIAL/COMMERCIAL REAL ESTATE LOAN SAMPLE BY BUSINESS SIZE</u>		
Business Size	% of businesses by size in the AA	% of sample by size

Small (Under \$1,000M in annual revenue)	91.1%	57.9%
Large (Over \$1,000M in annual revenue)	8.9%	42.1%

Our analysis reflects that the bank is addressing the community credit needs, as identified by the community contact, by making loans for middle-income housing and loans to small and large businesses.

Consumer Complaints:

No complaints relating to the bank's CRA performance have been submitted about the bank since our previous examination.

Record of Compliance with Antidiscrimination Law:

Based on our review of unsecured credit, we found no evidence of discriminatory or other illegal credit practices on any prohibited basis. We compared the terms offered 20 male applicants with those offered 20 female applicants. The sample of loans consisted of all those originated during 1999.