

“We’re so much **more**  
**than a bank...**

2014 LIBERTY BANK ANNUAL REPORT





we are all the

I salute my Board of Directors and Executive Management Team for the leadership, drive and inspiration they bring to everything we do.

On the face of it, most people see all banks as interchangeable – we accept deposits, grant loans, pay interest, and offer electronic conveniences. One is as good as another, right? At Liberty Bank we're at work every day to disprove that by surpassing expectations in ways you see and so many others you don't.

Why? First, because our vision extends well beyond transactions. Our mission is to form long-lasting relation-

This genuine connection with customers complements our enduring and growing commitment to the communities we serve. You may have read about our very successful Thanksgiving Drive in your local paper, but did you know that hundreds of our employees volunteered thousands of hours of their personal time in 2014 to make their communities better places to live?

Here's one more little thing that really makes all the difference for Liberty Bank. Our employees believe in the quality and value we deliver to customers and in the integrity of our operations. That's reflected in the fact that, for the third year in a row,

## little things that you don't see.”

ships that help enrich financial futures. So, when a business applies for a loan, we know this means job growth; or when a couple makes regular deposits, we envision a more secure retirement; or when a family applies for a mortgage, we see a home full of memories.

That's what motivates us to do all those little things. Like working after hours on a holiday weekend to combat fraud, testing and retesting to ensure the security of our electronic conveniences, dropping everything for a business owner who needed last-minute information for a tax filing, or delivering documents to an infirm customer's home.

employees have elected Liberty Bank one of Connecticut's top workplaces. I am also humbly appreciative of this support's translating into Leader of the Year recognition for me last year.

So, while it may say "Bank" on our front door, once you come inside I hope you'll see that everyone, from me on down, is eager to make your experience so much more.



Sincerely,  
**Chandler J. Howard**  
*President & CEO*



**Mark Gingras**  
*Liberty Bank Chairman  
of the Board*



# We're not just writing mortgages,

How did you feel when you dropped the keys to your first home in your pocket? Bet you can still remember the thrill of it. And if you're just on your way to home-ownership, no doubt it's one of your fondest dreams.

We know. It's a momentous milestone in anyone's life, filled with questions and a few butterflies in the stomach. That's why we do everything in our power to help "smooth out the bumps" between finding the right place and making it your own.

First off, you have the choice of electronic application or in-person support. Lots of banks no longer have mortgage originators who will

come to you personally to take your application, but we do. No matter how you apply, you also have direct access to anyone assigned to your loan while it's in process. Liberty Bank also services the vast majority of mortgages it writes, so when you have a question, months or years later, we're still ready and waiting to lend a hand.

In 2014, we began revamping our online mortgage application system. When complete, it will give applicants a personal homepage with direct email access to our staff, ability to track the status of their application from start to finish, and provide a quick secure way to upload documents ... no more paper copies!

All these little things made for a record year of mortgage lending in 2014, with \$414 million in closed loans and advancing us to the seventh largest residential lender in the state.

It's not all about the numbers, though. We faithfully track mortgage customer opinions, and for the year 2014, 98 percent said they were "satisfied" or "very satisfied" with our service, and 97 percent said they would recommend us to others.



We moved into a new place ourselves in 2014, cutting the ribbon on a brand-new branch on Whitney Avenue in Hamden.



we're helping build  
**memories**





Liberty Bank Executive Vice President and Chief Information Officer Barry Abramowitz advised an audience of millions on fraud protection on CBS's "60 Minutes."

And, frankly, that's the way it should be. Nowadays, banking is all about on-the-go convenience. In fact, more customers than ever are taking advantage of Liberty Bank's electronic options, like Online Banking, Online Bill Pay, eStatements, Online Account Open, uTransfer (which permits the transfer of funds to accounts at other banks), ATMs, and Mobile Banking. We offer it all,

We actively monitor transactions to seek out anomalies that may be an indication of fraud and get in touch to verify the authenticity of suspicious transactions. If we believe your debit card may have been compromised at a retailer, we'll contact you as quickly as

# To you, it looks like **fast cash.** To us, it's a fortress.

and we want you to use it with confidence that your data is protected and that your funds are safe.

Fraudsters are everywhere and it's our job to continually strengthen our security precautions to keep trouble at bay. That's why, when we introduced our new Mobile Deposit feature last year, our team extensively evaluated risks to ensure you can use the service without concern. It's now a top-rated app on Google Play and iTunes.

possible, and you can go to most Liberty Bank branches to pick up your replacement card the same day. We'll even alert you ... via email and on our website ... of emerging security threats.

So, go ahead and use our ATMs after the close of business, transfer money on your mobile device while you're in the check-out lane, send funds to your child at college, or snap a picture of your deposit and transmit it by Smartphone. When you know we've got your back, it's easy to consider these advances all about convenience.



Employee Janessa Leahy is recognized by the US Treasury Department for stopping a single incident of almost \$500,000 of fraud in progress.

“Outstanding service and employees; long-time relationship.”



“It is extraordinary to be this well serviced by so many people, over a period of so many years.”



“I chose you because you are a community bank that gives back.”



“They are always smiling and ready to help. You have gems at the bank!”



“I just wanted to thank you for all your hard work on helping me achieve my dream of homeownership.”

Other banks  
see transactions,  
we see **family**

Our award-winning advertising and best-in-industry brand may get customers in the door, but what happens after that makes all the difference.

Our average customer sticks around for almost 13 years ...

longer than at most other banks. And, amazingly, one-quarter of our customers have been in the Liberty family for 20 years or more.

We'd like them to stay for a lifetime. That's why, in 2014, we created a team dedicated to continuously



“We can’t thank you enough for making the process so simple and straightforward for us.”



“I am thankful that I found such nice people to help me with my banking needs.”



“I would refer your bank to anyone.”



“With the mobile check deposit and the BreakFree checking, it’s like I have you guys right here in Texas.”



improving the customer experience. We committed to a refreshed mission and values statement, delivered service training for all employees, and rolled out an ongoing Voice of the Customer program.

At Liberty, it’s all about the relationship. For starters, we remember your name and are genuinely glad to see you. But more importantly, we’re invested in your financial success in so many ways big and small.

Need help setting up your online banking account? We’ll walk you through it no matter how many questions you have. Want to talk to a person when you call our toll-free number? Just press “2” and we’re there for you. Want more visibility?

We can showcase your small business in one of our branches.

And just like family ... we’re in it for the long haul. We want to be your go-to resource for a lifetime of financial solutions. Checking and savings accounts, of course. But, home mortgages, small-business loans, retirement planning and more.

On this page, we thought you’d enjoy a few snapshots of some of our long-lasting customer-employee relationships.

Or, if you prefer to go by the numbers, the first nine months of our Voice of the Customer program rated Liberty’s in-branch and Call Center service an average of 4.7 out of five stars.



The Liberty Bank WFSB Surprise Squad brought cheer to unsuspecting recipients throughout the year, including the CT Children’s Medical Center.



50 years. 3 generations.

Still **going**



We're still going strong, too. In 2014, Liberty was honored for the third year in a row as one of CT's top workplaces.

John Nemeth, founder of Jonal Laboratories, had the inborn drive and vision of an entrepreneur. In 1965 he went his own way, renting space at 165 Pratt St. in Meriden and launched a success story that now spans three generations. His original idea was to design and fabricate cost-effective rubber-based seals for the aerospace industry.

Over the years, this family business has grown in size and reputation and today serves some of the biggest names in the aerospace industry. Just now, it's set to leap forward again, thanks to a loan that will fund expansion.

Jonal is partnering with Pratt & Whitney to provide parts for new commercial and military engine

current, second-generation leader Marc Nemeth grew up immersed in the business. Today it is his passion.

Nemeth regards the business as the family's greatest asset and has brought up the next generation – daughters Haley, Amelia, and Miriam – to understand the seal-manufacturing business so they can make informed decisions when it comes time.

Nemeth chose Liberty Bank to fund his expansion because of our ability to see future potential, our



# strong

programs, and with Boeing as it ramps up production of its Dreamliner. Funding will allow Jonal to hire, buy equipment, and lease more space.

With any family business, the trials and triumphs are not left at the plant at the end of the day. So,

flexibility, and willingness to listen and act on terms and conditions important to Jonal.

As far as we're concerned, there's nothing more rewarding than keeping Connecticut's businesses and communities humming. We say, "Here's to three more Nemeth generations to come."

If there's a local cause, you can count on Liberty employees to be there to help effect change. You name it, we're glad to do it ... paint, rake, walk, coach sports, gather food, or even take a bucket of ice on the head to help the ALS Association.



As bankers, we know that numbers are important. But as neighbors, we know that people are what really count.

That's why our Liberty Bank Foundation awarded \$693,927 in grants last year to local nonprofits for education programs and affordable housing. Our goal is to empower people of low income to work their way to a better life. And

a car repair, a license, or a child care deposit. The WorkPath Fund removes those barriers by providing small, one-time grants to pay these expenses.

Our foundation led a coalition of 12 funders that donated \$128,500

# At the very heart of things, **we're all in**



The Liberty Bank Foundation was honored as the Outstanding Foundation of 2014 by the Connecticut and Fairfield County Chapters of the Association of Fundraising Professionals.

to make sure we can continue that mission, Liberty Bank donated \$2.4 million to the foundation's endowment in 2014.

Those are big numbers, but they're only part of the picture. One of our proudest achievements was a collaboration with the Connecticut Commission on Children, the Workforce Alliance, and other partners to launch the WorkPath Fund.

WorkPath is a great illustration of the idea that little things can make a huge difference. Many parents in our state are willing and able to work to support their families – but face a barrier: the cost of uniforms,

in seed money for WorkPath. The result: 147 parents from all over the state are now gainfully employed, and able to support themselves and their families.

But it's not all about the money or even the partnerships. We Liberty Bankers have personal connections to our communities. Last year, nearly half of our employees devoted over 14,000 hours in service to 336 organizations dedicated to making life more livable.

So whether we're investing dollars, influence, or time, our goal is the same: to give back to the communities that we all call home. Isn't that what a community bank is all about?



# this together

## LIBERTY BANK FOUNDATION 2014 GRANTS



Liberty Bank Foundation's Executive Director Sue Murphy was appointed Chair of the Board of the Connecticut Council for Philanthropy.

### Grants by Type

Affordable Housing	\$ 41,500
Education for Economic Success	234,600
Nonprofit Capacity Building	32,500
Scholarships and Education Programs	115,500
Multi-Year Capital	24,000
Basic Human Needs	116,950
Special Programs	48,877
United Way	80,000
<b>Total</b>	<b>\$ 693,927</b>

### Grants by Region

Greater New London	\$ 85,000
Hartford County	50,300
Marketwide	192,877
Middlesex County	137,750
New Haven County	121,000
Norwich/Willimantic	107,000
<b>Total</b>	<b>\$ 693,927</b>

# The little things add up

You know what they say. Keep doing what you did and you'll get more of what you've got. In our case, that's a good thing. All the little things we do all year long ... to delight customers, reward employees and serve communities ... have paid off big time in financial strength.

Once again last year, more new customers than ever chose Liberty Bank ... almost 12,000 brand-new households. Our foundation broadened its reach in the community. And we attracted 87 new employees to serve those customers and neighbors.

## Four-Year Comparisons

For the years ended December 31  
(dollars in thousands)

	2014	2013	2012	2011
Net operating income	\$ 35,463	\$ 34,347	\$ 42,574	\$ 38,346
Net income	32,499	30,237	28,210	28,356
Total assets	3,817,654	3,576,895	3,537,735	3,382,983
Loan loss reserves	37,437	38,208	37,617	36,393
Net loans	2,840,904	2,632,673	2,426,146	2,334,820
Deposits	2,800,403	2,761,280	2,834,152	2,720,344
Capital	592,235	576,747	515,997	474,538
<i>Ratios:</i>				
Return on assets	0.88%	0.84%	0.81%	0.84%
Net interest income	3.34%	3.30%	3.41%	3.33%
Capital to assets	15.5%	16.1%	14.6%	14.0%
Loan loss reserves to loans	1.3%	1.4%	1.5%	1.5%

All of this trickles down to the bottom line and makes for one powerful financial institution. By almost any indicator, Liberty Bank leapt past previous years' performance.

Earnings headlined the success story, coming in 40 percent over budget ... a significant achievement in today's low-margin environment. Tier-one leverage capital (the amount we hold in reserve to meet unexpected obligations) hit an all-time high of 15.7 percent, nearly 60 percent more than other banks.

Total assets and capital exceeded budget and the average performance of in-state competitors. In all, we funded more than \$1.3 billion in commercial and small-business growth plans and dreams of homeownership.

At the same time, we kept an eagle eye on expenses and implemented a number of efficiency initiatives to help manage our cost of doing business.

Perhaps the best news of all is that this financial strength flows right back to customers and communities. As a mutual bank (with no shareholders) we had the wherewithal to offer no-fee deposit products and market-topping home equity line of credit, and to increase Liberty Bank Foundation's endowment by 20 percent. Nothing makes us happier than to "share the wealth" created by our financial strength for the benefit of our customers and Connecticut neighbors.

## Consolidated Balance Sheets

At December 31

(dollars in thousands)

	2014	2013
<b>Assets</b>		
Cash and investments	\$ 819,631	\$ 802,106
Loans:		
Consumer residential	588,343	466,427
Consumer	355,848	338,057
Commercial mortgages	1,559,088	1,461,616
Commercial	375,062	404,781
Gross loans	2,878,341	2,670,881
Loan loss reserves	(37,437)	(38,208)
Loans, net	2,840,904	2,632,673
Other assets	157,119	142,116
<b>Total assets</b>	<b>\$ 3,817,654</b>	<b>\$ 3,576,895</b>
<b>Liabilities and Capital</b>		
Liabilities:		
Deposits	\$ 2,800,403	\$ 2,761,280
Federal Home Loan		
Bank borrowings	314,026	155,230
Other liabilities	110,990	83,638
Total liabilities	3,225,419	3,000,148
Capital	592,235	576,747
<b>Total liabilities and capital</b>	<b>\$ 3,817,654</b>	<b>\$ 3,576,895</b>

## Consolidated Statements of Income

For the years ended December 31

(dollars in thousands)

	2014	2013
Net interest income	\$ 122,990	\$ 117,361
Fee income	26,374	26,987
Operating expenses	(111,701)	(107,751)
Loan loss provision	(2,200)	(2,250)
<b>Net operating income</b>	<b>35,463</b>	<b>34,347</b>
Capital gains	12,329	11,425
Provision for income taxes	(15,293)	(15,535)
<b>Net income</b>	<b>\$ 32,499</b>	<b>\$ 30,237</b>



315 Main Street  
Middletown, Connecticut 06457  
888 570 0773 Liberty-Bank.com

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