



MAKES ALL THE DIFFERENCE





Even if we've just met in passing, you probably know that I believe that teamwork is at the heart of our culture here at Liberty Bank. I've always believed that great things can only be accomplished by drawing on the talent, initiative, and dedication of every member of our team and valuing all contributions from every level throughout our organization.

My executive management team and I feel fortunate that the spirit of teamwork pervades Liberty Bank. It's a culture where employees sincerely believe that what's right for our customers, our communities, or our teammates supercedes what's expedient. And that attainment of common goals trumps personal interest.

At the same time, there's always room for diverse voices.

We're committed to the idea that important decisions cannot be made without listening to a variety of opinions, not just those closest to the issue.

It's not just about getting a chance to speak up. Inclusion is also about getting a seat at the table. In 2012, we made great strides in creating opportunities for many more employees to gain experience by presenting at our Quarterly

Pictured with Chandler: Marcie Clark, Jason Cote, Laura Bertekap, Marlena Sarcia, Pat Henry, Marisol Harris, Kim Pierce, Dean Warner, Sue Murphy, Brian Hedge, Sasha Chabre, James Stoetzle, Rosario Pulino, Sade Holley, Mark Vickery, Lauren Wells, Debbie Rowe, Jennifer Rodriguez, Elisabeth Pear, Chris DiAdamo, Tony Knighten, Doreen Dziurgot, Clarence Bowen, Noelle Willette, Jewell Jones, and Jim Brainerd.



Management Meetings, and to serve on project teams, like the one that's guiding our proposed merger with Southern Connecticut Bancorp*.

At the same time, Liberty Bank Foundation was distinguishing itself by bringing together local residents, nonprofits, and other foundations to create a more unified approach to addressing community issues.

I'm extremely proud to say that 2012 was another banner year for

the Liberty Bank team by every measure. Even in the face of a slow economy and record-low interest rates, we turned in stellar financial results and we sustained our reputation as one of the most admired companies in Connecticut. During difficult economic times, it takes a tremendous amount of hard work, and yes ... teamwork ... to deliver the kind of performance we experienced during 2012.

So, in tribute to the entire Liberty Bank team, I say in all sincerity, "We couldn't have done it without you."

Chandler J. Howard
President and CEO

* pending shareholder and regulatory approval.

HOWDY, PARDNER!

Pictured below from left to right:

Jodie Lemeris, Crystal Guzman, Imran Saeed, Rosa Carrero, Marzena Bukowski, Fran Russell, Kathy Doucette, Kendra Skubel, Brenda Woods, Paul Edwards, Priscilla Clark, Connecticut Humane Society, and Theresa Gogluicci, Newington Chamber of Commerce.



When a community bank grows, it's personal. We're entering new markets where our reputation precedes us, we're striking up relationships we want to keep, and we're putting down roots.

Apparently, that resonated with a lot of people, because 9,400 new consumer and business households chose Liberty in 2012. Why Liberty? Well ...

– We get cards and letters every month from customers thanking our employees for their personal attention. And post-closing evaluations tell us that mortgage customers truly value the luxury of a local resource. In fact, 98 percent say they would refer us to others.

– In 2012 we opened locations in New Britain and Meriden ... places where we have a lot to offer. More than just checking and savings accounts, we have one of the best financial education programs around, and are dedicated to helping first-time homebuyers become successful homeowners.

– And, speaking of checking and savings accounts, we believe ours are tops and customers seem to agree.

– Late in the year, we announced plans to acquire Southern Connecticut Bancorp*... a deal that will strengthen our business banking resources and improve access via three new locations in the New Haven market. At the same time, we were just putting the finishing touches on plans for our new Southington and Bristol locations.

* pending shareholder and regulatory approval.



Big Splash

We were mighty visible when we opened our 44th location in April.

Great first impression

Our new branch hadn't even been open a year before the Newington Chamber of Commerce awarded us "Business of the Year." Why? Because we did more than simply open our doors. We opened our hearts, too, by supporting the local library and adult education scholarships, hosting a Humane Society food drive, volunteering in the community, and raising funds for Thanksgiving dinners.



Now Hiring

Not many Connecticut employers can say that. But we upped our headcount by 85 new team members in 2012.



Wall of protection

The entire staff of one branch joined forces to detect a problem and protect an elderly customer who was the victim of a scam. They took the time to understand the situation and educate her about check fraud. They then called local police who succeeded in shutting down the fraud, averting significant loss and restoring peace of mind to the customer. (Pictured below from left to right: Lynne Bondi, Nicki Crawford, and Julie Higbee.)



BUILT BY AS

How many bankers does it take to create a really great customer experience? At Liberty, 605. In other words, all of us. It starts with a common understanding that there's always a newer, better, easier, more convenient way to bank with Liberty.

In 2012, employees from across the bank came together to put this spirit into action. For the first time, customers old and new enjoyed the

convenience of opening a Liberty Bank account online ... and more than 2,000 took us up on the offer. Better still, they were able to make their first deposit electronically, so there was no need to budge from the couch.

Another 3,000-plus customers were glad to learn that they could now transfer funds to and from their Liberty accounts and those at other

institutions with the click of a mouse. Plus, an all-new website brought with it in-depth financial education ... recognized by unbiased financial resource nerdwallet.com as tops for business owners ... and a streamlined mortgage application process.

Our new image-enabled ATMs are more popular than ever. Last year, more customers chose to make their deposits at the ATM rather

*Pictured below from left to right:
Gary Danforth, Marisol Harris,
Lanette Kuszek, Wendy Annino,
Shirley Theriault, Michele Mazzotta,
and Lou D'Amico.*



ASSOCIATION

than over the counter in a branch, thanks to receipts that display deposited checks.

A specially convened team even completed most of the legwork to make mobile banking a reality, and it's now live.



Teaming up to say yes

The "by the book" answer is never one size fits all. That was the case when a Customer Service agent realized there was a way to help a customer with limited income access loan collateral to pay for home heating oil. She reached out to counterparts in other departments to work out a solution, much to the relief of the customer.



No waiting

Once we have a completed small business loan application, our promise is to respond with a verbal yes or no within 24 to 48 hours. No fuss, no muss, no wondering.

Pictured below from left to right: Elizabeth and Chris Cushing, Cush's Homegrown, Jewell Jones, Maureen Coppola, Leslie McKillip, Jo-Anne Foster, Dodie Ladd, Mary Nelson, Laurie Peterson, Robert Ziegler, Emergency Resource Management, Joan Lanzo, and Donna Flynn.

BAND OF BROTHERS



As a community bank, we know our success is closely tied to the vitality of local small businesses. Let's face it, as banks go, we're a small business, too (and proud to be so).

Small businesses are the ones responsible for employing the vast majority of Americans, and we're committed to helping them stay strong and thrive. It's not just about operating accounts and credit cards, but things like efficient cash management, remote deposit capture, online security, and succession planning.

More than anything, we like to talk objectives. That's because often times there are multiple ways to get the job done.

Let us introduce you to two of our newest small business customers and their big plans.

Cush's Homegrown of Old Lyme – Elizabeth and Chris Cushing took an 18-year-old hobby and, with the help of a Liberty business loan, transformed it into a company supplying over 300 grocery stores across the region, including Big Y and Stop & Shop. They started with mild, medium, and hot salsas and have expanded their product line to include black bean & corn, peach mango, pineapple, and Red Zone salsas. They're continuing their nationwide expansion and are committed to philanthropic growth directly linked to the growth of their business.

Emergency Resource Management of Portland – An agonizingly slow ambulance response got paramedic and now ERM President Robert Ziegler thinking about improving pre-hospital care for emergency patients. Now 10 years in business, ERM has made a name for itself in pre-hospital emergency medical staffing and training. Their reputation for dedication and excellence means their employees and expertise are in hot demand. A loan from Liberty is allowing them to expand.

& SISTERS



ALL HANDS



Change comes quickly to the banking business nowadays and, if you're going to thrive, you need everyone on board. We're fortunate to have hundreds of employees ... in all disciplines ... who are ready to pitch in at a moment's notice to tackle something new or unexpected, to

find better solutions, and to simply make things happen. Meet some of the many unsung heroes who might not be in customer view, but who are always deeply committed to making banking with Liberty a positive experience.

Pictured below: Yuchundra Annikie, Kathy Aubrey-Bergonzi, Natasha Aziz, Andrea Blackwell, Brenda Byers-Britney, Danielle Capri, Lynette Clarke, Paul Edwards, Katie Ehlers, Don Fodaski, Sue Geary, Stephanie Han, Garrett Holland, Rob Hudson, Grayson Izard, Trish Layman, LeeAnn Liberty, Toral Maher, Linda McCarty, Jacqueline Nelson, Tim O'Hara, Leandra Privott, Marie Rearick, Gail Rivard, Veeda Ruffin, Carmela Sarcia, Tom Simmons, Dave Slyne, Bob Steele, Sue Strange, Vanessa Strickland, Jennifer Trafford, Liz Tringali, Tiwanda White, and Marlene Williams.

S ON DECK



We're tops!

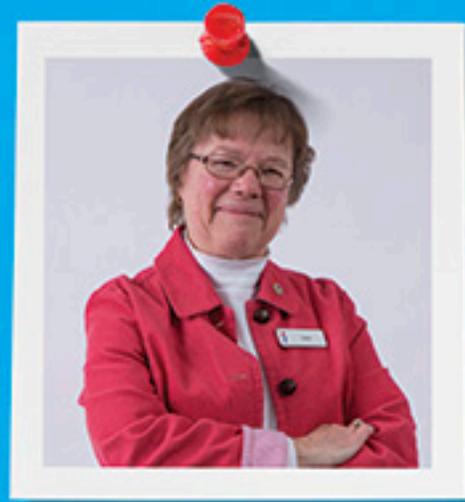
The Hartford Courant and Fox Connecticut think we have a pretty good team, too. In 2012 they asked Liberty employees to rate the bank on such things as work conditions, management direction, and compensation and benefits, and then ranked us one of 10 Top Workplaces in the state (in the mid-sized business category).



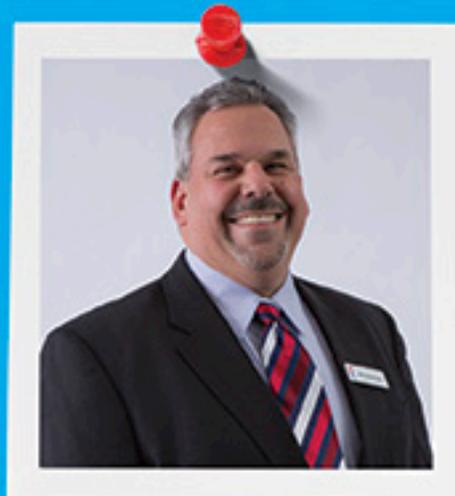
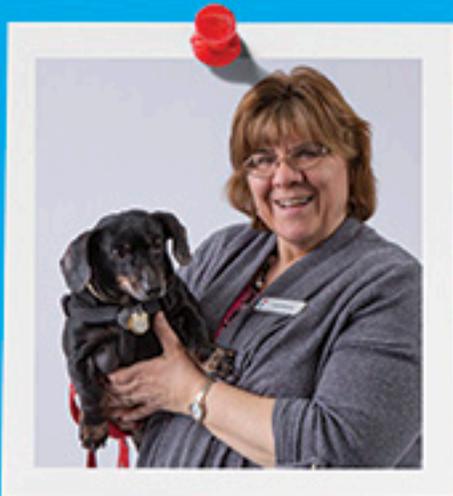
Photo by Steven Laschever.

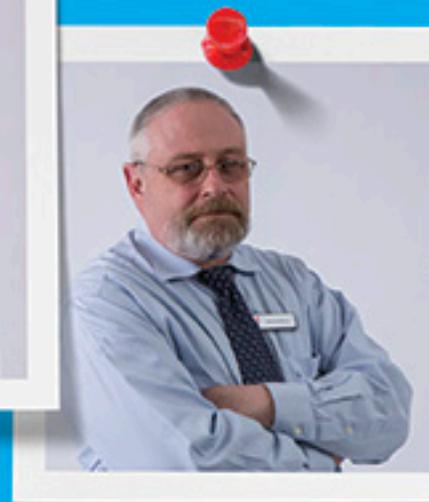
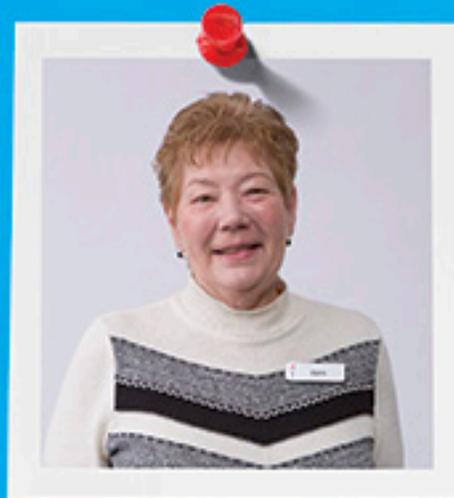


President & CEO Chandler J. Howard was just one of nearly four dozen Bank employees who volunteered at Middletown's St. Vincent De Paul's Soup Kitchen last year.



BOOSTER CLUB





Every community and its nonprofits need a boost now and then, and Liberty Bank volunteers are routinely there for them by the hundreds. They read to children, answer ambulance calls, serve food, walk for a cause, plant flowers, help rehab properties, serve on boards, collect funds ... you name it and they'll gladly do it.

Last year, our employees volunteered **17,218** hours locally for **243** agencies. Why such dedication? Because we're a community bank and because teamwork at Liberty extends well beyond our four walls. Meet our best of the best. Several of these employees have been inducted into the Liberty Bank Volunteer Hall of Fame for their commitment to making a difference in their local communities. Others are generous donors of their time for community causes near and dear to their hearts.

Pictured from top left to bottom right: Susan Jensen, Dick Conway, Tom Hylinski, Marie Hurley, Jim Murray, Laura Klemba, Barry Abramowitz, Mary Ann Lentz, Vi Kemp, Don Peruta, and Lisa Wilder.



Liberty Bank Foundation

Grants by Type

Affordable Housing	\$ 41,500
Scholarships and Academic Grants	\$ 140,507
Prevention Programs for Children and Families	\$ 218,389
Nonprofit Capacity Building	\$ 20,000
Capital	\$ 19,000
Basic Human Needs	\$ 98,495
Special Programs	\$ 32,000
United Way	\$ 75,000
Total	\$ 644,891

Grants by Region

Greater New London	\$ 74,789
Hartford County	\$ 26,500
Marketwide	\$ 179,507
Middlesex County	\$ 175,395
New Haven County	\$ 54,700
Norwich/Willimantic	\$ 134,000
Total	\$ 644,891

ESPRIT D

In the world of philanthropy, a grant can do a world of good. (And we're proud to say that we made \$644,891 worth of them last year.) But, turns out, teamwork can do even more. That's what the Liberty Bank Foundation staff are noted for. The idea is called "convening" and it means reaching out to other foundations and community stakeholders to organize a more meaningful response to an issue.

How does this bring more to the table? When the task is shared by a group, each team member brings

a certain strength ... whether it's money, ideas, or manpower. And the whole becomes greater than the sum of the parts.

Case in point: the Parent Leadership Training Institute (PLTI). This 20-week program empowers parents to become advocates for their children by teaching them about leadership, diversity, communication, problem-solving, and how to participate in the community and local government. In the last few years, participation in some towns had fallen off, but the

value of the program never had.

Seeing an opportunity, the Liberty Bank Foundation staff teamed up with the Connecticut Commission on Children to reinvigorate interest in the program, provide seed money, and then roll it out to more towns. Now PLTI is alive and well in eight Liberty Bank communities.

Talk about teamwork. PLTI has such far-reaching effects, it's become a multi-generational change agent. Because there's nobody with a greater stake in the future than a parent.

Pictured from left to right: Elaine Zimmerman, CT Commission on Children, Betty Sugerman-Weintraub, and Catina Caban-Owen.



Right at home

Sixteen fortunate families had their dreams of homeownership come true in 2012 when the town of Old Saybrook cut the ribbon on brand-new affordable housing units at 45 Ferry Road partially funded by a loan from Liberty Bank.



E CORPS





We mean business

Liberty Bank Corporate Security, in conjunction with several other bank security officials, the Connecticut Bankers Association, the FBI, and the Police Chief's Association, spearheaded a campaign to enhance the state's bank robbery statute. It was signed into law in June, 2012.

Pictured below from left to right:
Tom Fee, Gary Mackiewicz, Frank Teti, Irena Qyqja, Nick Sabetta, Dave Carlson, and Diane Wynne.



STRONG ALLIES

Customers love their freedom to bank where and when they want ... over the phone, through an ATM, via the internet, by mobile device. So protecting their information and funds is more critical than ever.

And, it's not just a job for the employees who handle the cash or meet with customers. Today, everyone on the Liberty Bank team is equally responsible for security by doing things like guarding against social engineering, ensuring vendors are thoroughly vetted, and keeping nonpublic areas of the bank secure.

In 2012, teams of employees took it even further by launching two significant advancements in online security. Free Trusteer software now allows customers to tighten their personal computers' security with features that block malware and phishing attacks, and browser tampering.

Enhanced online banking login security, endorsed by the federal government, premiered as well. Now, instead of just a password and username (something the customer knows), a phone (something the

customer has) is part of the login equation, making it much more difficult for wrongdoers to access online accounts.

Internally, a new e-Alert system is allowing any employee to report security concerns or suspicious activity instantly across the bank. That means 605 strong allies who are ready, willing, and able to keep customers safe.

STRENGTH IN NUMBERS

When it comes right down to it, numbers are the measure of a bank. They are black-and-white proof of prudent financial management and customer confidence.

By the numbers, Liberty Bank turned in another stellar performance in 2012. Net income totaled \$28.2 million, a return on average assets of 81 basis points! This placed us above the 80th percentile among Connecticut banks. Total assets grew by more than \$150 million. Loan outstandings increased by

nearly \$100 million and were funded entirely by new deposits.

This superior performance was bolstered by aggressively managing our interest-rate margin ... a critical component of earnings, especially in a low-interest-rate environment and today's economy. We're also an institution well-fortified against financial risks, including a capitalization rate that's nearly three times the regulatory standard. Loan quality improved during 2012 and remains very strong.

You don't get results like this unless everyone's on board. At Liberty Bank, we all take pride in our reputation for a rock-solid financial condition. And we all make our contribution. By satisfying customers and co-workers (we have some of the highest retention rates in the industry). By watching what we spend. And by carefully managing the funds entrusted to us.

It all adds up and the sum total is a stable, healthy, and growing community bank.



Pictured from left to right:
Stacey Schweighoffer, Diane Rousseau,
and Kerry Arsenault.

Five-Year Comparisons

For the years ended December 31
(dollars in thousands)

	2012	2011	2010	2009	2008
Net operating income	\$ 42,574	\$ 38,346	\$ 21,853	\$ 27,584	\$ 38,323
Net income	28,210	28,356	16,647	31,409	21,047
Total assets	3,537,735	3,382,983	3,375,890	3,102,532	2,854,360
Loan loss reserves	37,617	36,393	47,477	32,709	27,178
Net loans	2,426,146	2,334,820	2,279,596	2,218,537	2,315,746
Deposits	2,834,152	2,720,344	2,678,844	2,470,651	2,232,318
Capital	515,997	474,538	465,500	442,447	404,241
<i>Ratios:</i>					
Return on assets	0.81%	0.84%	0.51%	1.06%	0.77%
Net interest margin	3.41	3.33	3.16	3.14	3.25
Capital to assets	14.6	14.0	13.8	14.3	14.2
Nonperforming assets to total assets	0.69	1.62	3.05	0.59	0.04
Loan loss reserves to Nonperforming loans	160%	68%	46%	183%	3570%

Consolidated Statement of Income

For the years ended December 31
(dollars in thousands)

	2012	2011
Net interest income	\$ 118,850	\$ 112,327
Fee income	28,858	22,509
Operating expenses	(98,634)	(91,490)
Loan loss provision	(6,500)	(5,000)
Net Operating Income	\$ 42,574	\$ 38,346
Capital (losses) gains	(186)	3,822
Provision for income taxes	(14,178)	(13,812)
Net Income	\$ 28,210	\$ 28,356

Consolidated Balance Sheet

At December 31
(dollars in thousands)

	2012	2011
Assets		
Cash and Investments	\$ 958,829	\$ 888,466
Loans:		
Consumer residential	431,448	476,430
Consumer	335,522	337,853
Commercial mortgages	1,277,728	1,091,834
Commercial	419,065	465,096
Gross loans	2,463,763	2,371,213
Loan loss reserves	(37,617)	(36,393)
Loans, net	2,426,146	2,334,820
Other assets	152,760	159,697
Total assets	3,537,735	\$ 3,382,983
Liabilities and Capital		
Liabilities:		
Deposits	\$ 2,834,152	\$ 2,720,344
Borrowed funds	86,505	89,730
Other liabilities	101,081	98,371
Total liabilities	3,021,738	2,908,445
Capital	515,997	474,538
Total Liabilities and Capital	\$ 3,537,735	\$ 3,382,983



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Pictured above: Sue Larson

Pictured on cover from left to right: Wendy Fletcher, Paul Nosal, Kim Emmons, Jessica Rackliff, Eleanor Miller, Trish Layman, Dale Chen, and Clarence Bowen.