



INTERMEDIATE SMALL BANK PUBLIC DISCLOSURE

December 2, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BankLiberty
Charter Number: 705964

**16 W. Franklin St.
Liberty, MO 64068**

Office of the Comptroller of the Currency

**Kansas City Field Office
7101 College Boulevard, Suite 1600
Overland Park, KS 66210**

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: Satisfactory

The Lending Test rating: Satisfactory

The Community Development Test rating: Satisfactory

The major factors supporting the institution's rating:

- BankLiberty's loan-to-deposit (LTD) ratio reflects more than reasonable responsiveness to the credit needs of its customers. The bank's quarterly average net LTD ratio since the last CRA examination is 101 percent.
- BankLiberty's record of lending to consumers and businesses of different sizes in the Kansas City assessment area (AA) is reasonable.
- BankLiberty's overall geographic distribution of loans shows reasonable dispersion in the Kansas City AA.
- BankLiberty's performance under the community development (CD) test shows adequate responsiveness to meeting the needs of the AA. The dollar volume of CD loans and qualified investments totals \$4.5 million.

Scope of Examination

Examiners used the intermediate small bank examination procedures to evaluate BankLiberty's record of meeting the credit needs of its community through its lending and community development activities. The lending test review period is January 1, 2010 through November 30, 2013. The bank's primary loan products are consumer (indirect auto) loans by number and commercial loans by dollars.

We based our conclusions on the bank's consumer (indirect auto) and commercial loan products originated or purchased during the review period in the AA and compared to the 2000 and 2010 census demographics. We used updated 2000 census data to analyze loans originated or purchased in 2010 and 2011, and 2010 census data to analyze loans originated or purchased in 2012 and 2013. The evaluation period for the lending test is January 1, 2010 through November 30, 2013. The evaluation period for the CD test is March 28, 2010 through December 2, 2013.

We sampled loans for each review period. This included a total of 80 consumer loans and 82 commercial loans divided evenly, by loan type, between the 2010-2011 and 2012-2013 evaluation periods.

Description of Institution

BankLiberty is a \$454 million federally chartered stock institution headquartered in Liberty, Missouri with a home office and 12 full-service branches. Liberty is located in Clay County, and is a suburb of Kansas City, Missouri. BankLiberty is owned wholly by Liberty Bancorp, Inc., a one-bank holding company. BankLiberty operates 14 ATMs with one located at the main office, 12 at branches, and one at Park University. The ATMs are all deposit taking with the exception of the Park University location. During 2013, BankLiberty acquired four branch office locations through its acquisition of Patriots Bank. Management subsequently closed two of the branches acquired from Patriots Bank and closed an existing branch in Farley, Missouri. One closed branch was in a moderate-income census tract and the other two closed branches were in upper-income census tracts.

BankLiberty operates in a highly competitive market. Other small institutions and branches of large institutions are widely spread throughout the area. BankLiberty's current strategy focuses on consumer and commercial lending. The bank offers a full range of deposit and loan products and services. As of September 30, 2013, BankLiberty reported net loans of \$335.3 million, and had a net loans and leases to average assets ratio of 74 percent. As of September 30, 2013, the loan portfolio comprises 69 percent commercial and commercial real estate loans, 24 percent residential real estate loans, 6 percent consumer loans, and 1 percent agricultural loans. Tier one capital is \$63.1 million.

BankLiberty received a satisfactory rating at its prior CRA examination conducted by the Office of Thrift Supervision on March 28, 2010. No legal or financial factors exist that impede the bank's ability to help meet the credit needs of the AA.

Description of Assessment Area(s)

BankLiberty has one AA that includes all of Clay, Clinton, Jackson, and Platte counties in the Kansas City, MO-KS metropolitan statistical area (MSA). In the 2000 Census, the AA consists of 38 low-income census tracts, 81 moderate-income census tracts, 103 middle-income census tracts, 49 upper-income census tracts, and 5 census tracts that have no designation. The AA has a total population of 931,646. Based on demographic data, the 2011 adjusted median family income is \$72,300 and the average median housing value is \$94,997. Ten percent of households and 7 percent of families are below the poverty level.

Based on demographic data and the 2010 Census, the AA comprises 49 low-income tracts, 69 moderate-income tracts, 82 middle-income tracts, 61 upper-income tracts, and 6 non-designated tracts. Total population of the AA is 1,006,162. The 2013 adjusted median family income is \$71,200 and the average median housing value is \$143,185. Twelve percent of households and 10 percent of families are below poverty level. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Competition is strong. There are 66 other financial institutions in the AA serving larger regional and national markets. As of September 30, 2013, BankLiberty ranks 11th in the market with a deposit market share of 2 percent. Economic conditions declined during the recent recession; however, there is evidence of improvement.

Unemployment for the month of October 2013 in the counties that make up the AA was 5 percent for Clay, 5 percent for Clinton, 7 percent for Jackson, and 5 percent for Platte. Unemployment for the state of Missouri was 6 percent and the national unemployment rate was 7 percent. Varied employment industries in Kansas City include telecommunications, manufacturing, health care, financial services, engineering, and agribusiness. Major employers include Ford, H&R Block, AT&T, DST Systems, Hallmark Cards, Cerner, and Sprint Corporation, as well as City, State, and Federal governments.

Based on community contacts within the past 12 months, banks have opportunities to lend through many different programs within the community including affordable housing, small loans to LMI, employment to LMI individuals and financial literacy.

Conclusions with Respect to Performance Tests

Loan-to-Deposit Ratio

BankLiberty’s LTD ratio is excellent and reflects more than reasonable responsiveness to the credit needs of its customers. The quarterly average net LTD ratio since the last CRA examination is 101 percent. The ratio is the highest ratio of the four similarly situated institutions in the AA. The average LTD ratio for similarly situated banks is 74 percent. The LTD ratios for all financial institutions with branches in the AA ranged from 66 percent to 111 percent.

Lending in Assessment Area

The bank’s record of lending to borrowers shows that both by number and dollars, the bank made the majority of loans inside its AA. We performed an analysis of the percentage of consumer loans and small loans to businesses that the bank originated and/or purchased during 2010 and 2011. BankLiberty originated 70 percent by number and 63 percent by dollars in the AA.

Table 1 - Lending in the Kansas City AA for 2010-2011										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	22	55	18	45	40	442	56	354	44	796
Commercial	35	85	6	15	41	11,929	64	6,853	36	18,782
Totals	57	70	24	30	81	12,371	63	7,207	37	19,578

Source: Loan Sample

During the evaluation period 2012-2013, the bank was consistent in its performance of lending in the AA. BankLiberty originated 65 percent, by number, and 81 percent, by dollars, of its consumer and commercial loans in the AA.

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

BankLiberty’s lending to borrowers of different incomes is reasonable.

Consumer Loans

Overall, the distribution of consumer loans to borrowers of different income levels is excellent.

The distribution of consumer loans to borrowers of different income levels reflects excellent penetration for 2010 and 2011. Consumer lending to low- and moderate-income borrowers at 32 percent and 41 percent, respectively reflects excellent penetration while demographics show 22 percent and 18 percent, respectively.

The following table shows the distribution of consumer loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of households in each income category.

Table 2B - Borrower Distribution of Consumer Loans in the Kansas City AA for 2010-2011								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	22	32	18	41	20	23	41	5

Source: HUD-updated 2000 U.S. Census data

During the evaluation period of 2012-2013, lending to low-income borrowers is not consistent with the 2010-2011 period but lending to moderate-income borrowers continues to exceed demographics. Loans to low-income borrowers, at 21 percent, are slightly below demographics, at 26 percent. Loans to moderate-income borrowers at 37 percent exceeded demographics at 18 percent.

Small Loans to Businesses

Overall, the distribution of loans to businesses of different sizes is reasonable.

During the evaluation period 2010-2011, the distribution of loans to businesses reflects excellent penetration among businesses of different sizes. BankLiberty made over 71 percent of its business loans with an original amount of \$250,000 or less based on the percent of loans by number.

The following table shows the distribution of small loans to businesses compared to demographics.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66	4	30	100%
% of Bank Loans in AA by #	71	29	0.00	100%
% of Bank Loans in AA by \$	67	33	0.00	100%

Source: Business Loan Data Sampled for 2010-2011; Dun and Bradstreet data

Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	15	43	8,035,120	5
\$100,001 - \$250,000	10	28	3,893,775	17
\$250,001 - \$500,000	3	9	1,300,003	11
\$500,001 - \$1,000,000	4	11	2,870,441	24
Over \$1,000,000	3	9	5,136,339	43
Total	35	100.00	21,235,678	100.00

Source: Loan sample

For the evaluation period 2012-2013, lending to businesses of different sizes is inconsistent. Lending to businesses with revenues less than \$1 million, at 41 percent by number of loans, is significantly less than demographics of 70 percent. This is mitigated by the number of loans by proxy size that shows the bank made 73 percent of their loans in amounts between \$0 and \$500 thousand during this same period.

Geographic Distribution of Loans

BankLiberty’s geographic dispersion of loans is reasonable. Overall consumer loan performance is reasonable and overall business loan performance is poor. Given that only 25 percent of businesses are in low- and moderate-income tracts, more weight was placed on consumer loan performance.

Consumer Loans

For the evaluation period 2010-2011, BankLiberty’s geographic dispersion of loans in low-income census tracts is poor, while lending in moderate-income tracts reflects excellent dispersion given that 10 percent of households in the AA are below the poverty level. The percentage of owner-occupied units in the low-income census tracts is 5 percent, which is similar to the number of bank loans. Overall, the dispersion is reasonable.

The table below shows the geographic dispersion of consumer loans in the AA.

Table 3B - Geographic Distribution of Consumer Loans for 2010-2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	22	5	18	41	20	32	41	23

Source: 2000 Census Demographic Data; Bank and examiner generated reports

For the 2012-2013 evaluation period, BankLiberty’s geographic dispersion is consistent with the overall reasonable performance. Low-income census tracts have reasonable dispersion at 16 percent with demographics of 26 percent with 12 percent of households in the AA below the poverty level. Moderate-income census tracts have poor dispersion at 16 percent with demographics of 18 percent.

Small Loans to Businesses

The bank’s geographic distribution of small loans to businesses is poor.

For the evaluation period 2010-2011, the geographic distribution of small loans to businesses reflects excellent dispersion in low-income census tracts. The geographic dispersion in moderate-income census tracts is very poor.

The table below details our findings.

Table 3A - Geographic Distribution of Loans to Businesses 2010-2011								
Census Tract Income Level	Low		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	% of AA Businesses	% of Number of Loans
% of Total	5	9	20	9	47	31	27	51

Source: data collected by bank; 2000 U.S. Census data

For the evaluation period 2012-2013, small loans to businesses in different geographies are inconsistent for low-income census tracts and consistent for moderate-income census tracts. Lending in low-income census tracts reflects very poor dispersion with 6 percent of loans in these tracts with demographics of 11 percent. Lending in moderate-income census tracts also reflects very poor dispersion at 6 percent with demographics of 24 percent.

Responses to Complaints

BankLiberty has received no complaints regarding their CRA performance since the last examination.

COMMUNITY DEVELOPMENT TEST

BankLiberty's performance under the CD test is satisfactory.

The bank's performance shows adequate responsiveness to meeting the community development needs in the bank's AA. BankLiberty provided CD loans, investments and donations, and services in its AA.

CD loans and investments totaled \$4.5 million representing 7 percent of tier one capital, as of September 30, 2013. Management made four CD loans totaling \$4.2 million during the evaluation period. These loans provided affordable housing in the AA, which is an identified need in the community.

The bank made five CD investments totaling \$251 thousand during the evaluation period. The bank participated in a \$250 thousand Community Development Financial Institutions fund with a local minority-owned bank and made four donations totaling \$1 thousand, which provided community services to help individuals find jobs and affordable housing.

CD services show adequate responsiveness to community needs. Bank management provided 32 hours to one CD organization during the evaluation period. All hours donated were responsive to CD needs identified in the AA. The availability of services to low- and moderate- income families and households is satisfactory. Three branches are located in moderate-income census tracts. Additionally, two deposit-taking ATMs are located in these tracts. The branches located in moderate-income census tracts are generally open until 6:00pm during the week, and two of them offer Saturday morning hours.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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