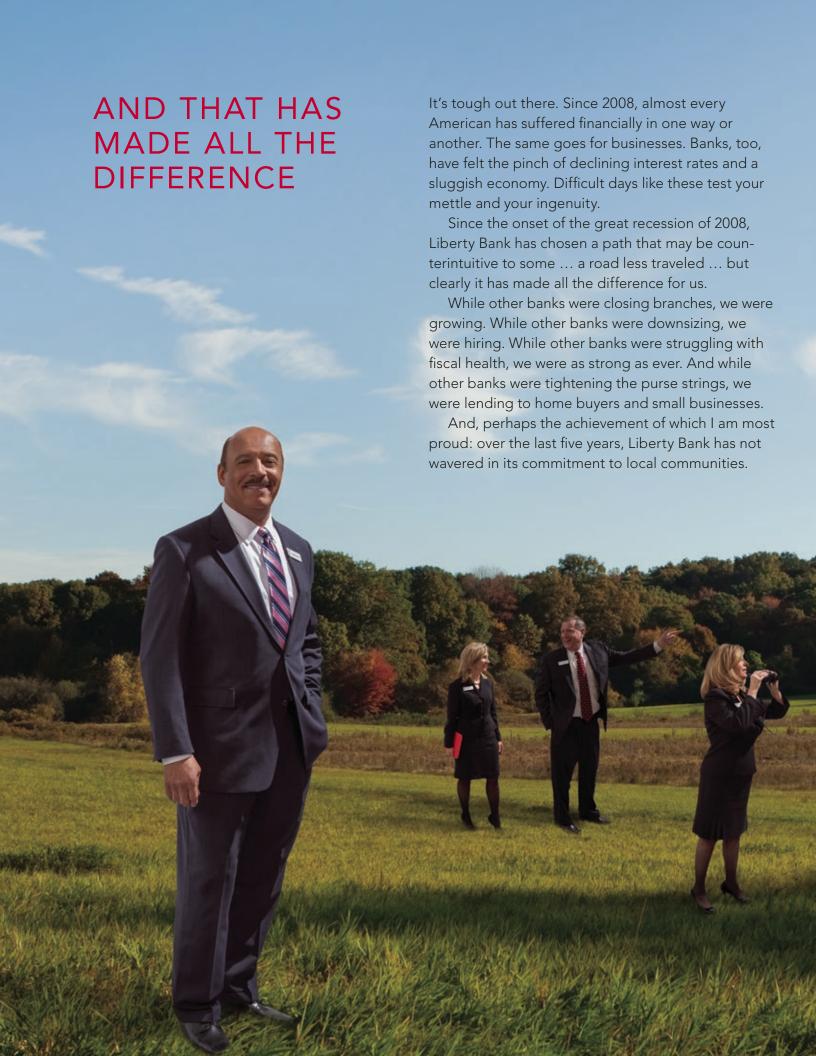


2013 ANNIIAI REPORT

WE TOOK THE ONE LESS TRAVELED





Our Foundation grants have continued to grow and employees by the hundreds volunteer locally.

We have forged our own way and come out ahead as you'll see by the achievements on the following pages. It is my honor to work with the best team in the business, and a privilege for all of us to serve our customers and communities.

Look for more great things to come from Liberty Bank as we continue to carve out our own pathway to becoming Connecticut's most admired company.

Sincerely,

Chandler J. Howard President & CEO

Man C. Jour

I by no means travel the road alone. My thanks for the guidance of a truly professional, insightful and innovative Executive Management Team:

Barry Abramowitz

Senior Vice President, Chief Information Officer

Deborah Bochain

Executive Vice President, Retail Banking

Thomas Hylinski

Executive Vice President, Retail Lending

Patricia Jatkevicius

Senior Vice President, Chief Marketing Officer

Gerard Kusinski

Executive Vice President, Chief Lending Officer

Robert Parry

Senior Vice President, Chief Human Resources Officer

Thomas Pastorello

Executive Vice President, Chief Financial Officer

Eugene Shugrue

Senior Executive Vice President, Chief Risk & Credit Officer







DESTINATION: GROWTH

If you really want to get somewhere in the banking business nowadays, growth is the name of the game. Of course, that's easier said than done. Faced with depressed interest rates and growing regulation, lots of banks have come to a standstill or chosen to downsize. But not us.

We believe that Liberty Bank has a unique value proposition ... first-rate products and all the latest technology combined with hometown, first-name-basis service. And last year, we set out to extend that value to as many new customers and markets as possible.

Early in 2013, we acquired Bank of Southern Connecticut and added three new locations in all-important New Haven County: Amity, downtown New Haven, and Branford. We followed that with the addition of two more locations to our expanding roster of sites in Hartford County: Bristol and Southington.

Our newest branches also have free-standing welcome centers – rather than the barrier of an old-fashioned teller line. They're staffed by universally trained employees who are capable of handling just about anything a customer requires. It's all about reducing wait times and improving customer service.

For the first time, Liberty Bank also introduced itself in Fairfield County with a brand-new adjustable-rate mortgage product suited to home buyers in this market, generating over \$100 million in closed loans.

Overall, we picked up a record-breaking 10,926 new households in 2013. How did we do it? Not by simply opening our doors in new towns, but by offering products customers can't find elsewhere, by making a concerted effort to help small businesses grow, and by building long-term relationships. Our ability to attract and retain thousands of new households year after year is proof of our good, solid, long-term strategy.







Cutting the ribbon in New Haven (I to r) Liberty Board Chairman Mark Gingras; Kelly Murphy, City of New Haven; Liberty President & CEO Chandler J. Howard; New Haven Mayor Toni Harp; and Jorge Perez, Liberty Bank.

All new from the ground up in Southington.

Second-generation owners of this well-respected garage sought funding to increase their shop's square footage and to install revolutionary painting technology. We were glad to help them grow into their sixth decade



WHEN BUSINESS SUCCEEDS, THE **ENTIRE COMMUNITY SUCCEEDS**

Small business is the engine that revs the economy. And yet, in the last couple of years, small businesses everywhere have faltered. At Liberty Bank, we believe that a community bank is only as effective as the community it supports. We take pride in seeing occupied storefronts and "open for business" signs all along the main streets we serve.

In 2013, we significantly stepped up our small-business lending, both in number of loan closings (a 128 percent increase), and closed loan dollars (a 265 percent increase). The US Small Business Administration took note of our efforts, honoring us with an Eagle Award for

We supported Pavilion Catering's latest project, renovation of an 1850 farmhouse into a wedding planning center with a construction and term loan for installing a catering kitchen. They're all about planning and producing dream weddings and we are proud to help their business grow.



our 150 percent increase in SBA loans made and 251 percent increase in dollar volume.

We also broadened our solutions to include not just products and services for the business, but also for business owners and their employees. We are equally prepared to open bank accounts and arrange for merchant processing as we are to talk succession planning or employee perks at work.

Our most important small-business accomplishment? We remained true to our community banking roots. We proved we can get bigger and better without losing sight of the fact that we're dealing with individuals and the dreams that they hold dear.









Liberty financing helped these small businesses keep on truckin' in 2013: Pizzeria Da Vinci; Riverstone Landscaping, LLC; Cromwell Concrete Products, Inc.; and the Robert Borruso Agency, New England Property & Casualty, Inc.

Sure, we love having customers visit us at a branch location and thousands do every day. But nowadays, customers also want the bank to come to them, anywhere and anytime. That's why we're constantly striking out in new directions, especially in cyberspace.

In 2013, our chief technological achievement was the launch of Mobile Banking. This was keenly anticipated by customers and very well-received. By year-end, over one-half of our Online Banking customers had enrolled for mobile connectivity ... an adoption rate far surpassing expectations.

So now, in addition to banking by phone and personal computer, customers have the ability to transact business via Kindle, Android, iPad, and iPhone devices. One customer tweeted that he loved having his bank in his pocket. To which we say, "Thanks for bringing us along!"

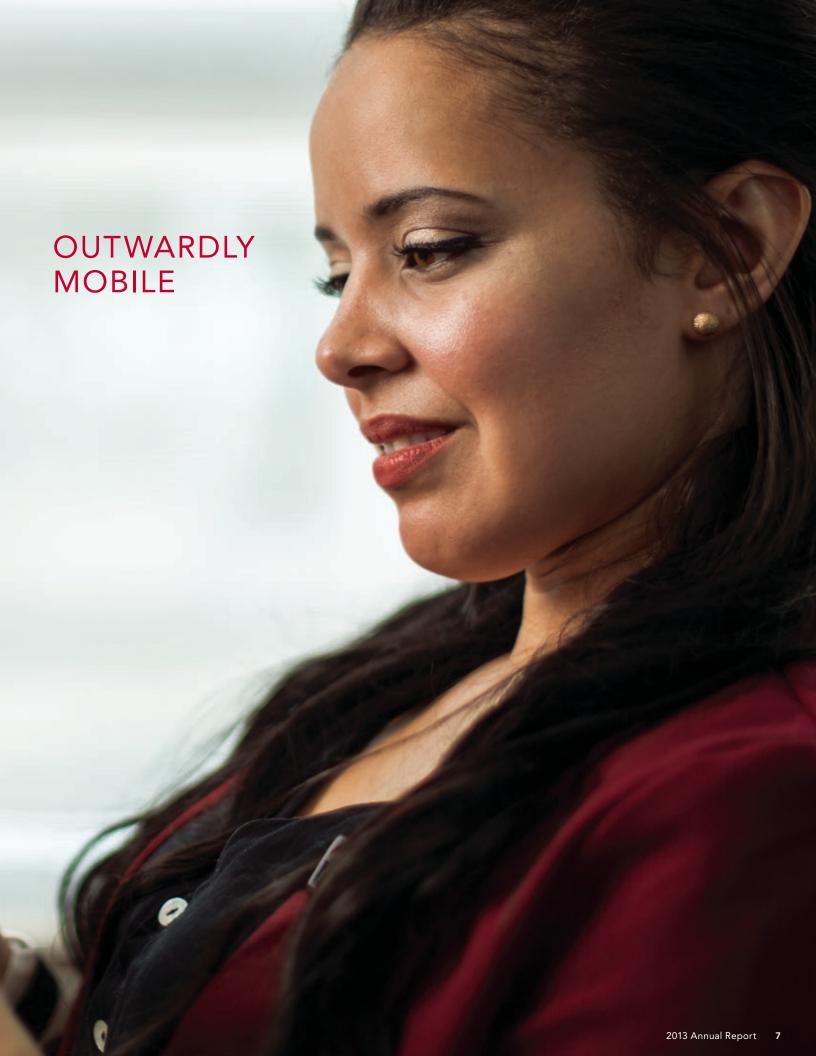
With today's technology, customers are not shy about telling you how you're doing, and we're happy to report that our Mobile Banking ratings remain at a steady 4.8 stars out of five. The biggest item on customers' wish list is mobile check deposit, which is already in the works.

Last year, more customers than ever opened checking and savings accounts online, and a growing number used our envelope-free ATMs for their deposits. With just a year up and running, UTransfer ... our online service that allows the transfer of money between Liberty and other financial institutions ... had enrolled more than 6.000 customers.

All indications are that customers truly prize speed and convenience when it comes to banking. So our direction in the year ahead will be toward finding new ways to make technology work even harder for them.







2013 ACHIEVEMENTS



0.84%
Return on Assets

\$3.6

BILLION in Total Assets





14,023

Hours Volunteered by Employees in Their Communities









\$182,026

Record-Breaking Thanksgiving Drive



Chandler J. Howard

CBA Chairman, ABA Committee Member and Federal Reserve Bank Council Member



\$689,246

in Liberty Bank Foundation Grants

\$237,000+

Record-Breaking United Way Drive



FAR-REACHING IMPACT

LIBERTY BANK FOUNDATION **2013 GRANTS**

Grants by Type

Affordable Housing	<u>\$</u>	43,450
Scholarships and Early Literacy Grants Education for Economic Success		153,000 195,946
Nonprofit Capacity Building	<u></u>	34,000
Capital Projects		42,350
Food and Shelter		106,000
Special Programs		37,000
United Way		77,500
Total	\$	689.246

Grants by Region

Total	\$ 689.246
Norwich/Willimantic	126,950
New Haven County	53,650
Middlesex County	176,296
Marketwide	186,000
Hartford County	57,000
Greater New London	\$ 89,350

While the Bank was expanding into new markets last year, the Liberty Bank Foundation was close behind. As a community Bank we believe it's just as important for us to serve our neighbors as it is to attract new customers. And, in that spirit, the Bank gifted \$1.2 million to bolster the Foundation's endowment and our 2013 giving escalated to an all-time high of \$689,246.

Liberty Bank Foundation is noted for a trait that diverges from mainstream giving, and one that we believe makes us a standout ... collaboration. Rather than traveling the road alone, we are constantly on the lookout for funding partners who can join forces with us to add impact.

Last year, our annual Thanksgiving Drive raised a record-breaking \$182,026 for holiday meals for families in need. We know that this amazing result would not have been possible without our longstanding partnerships with 29 local Rotary Clubs, for which we are truly grateful.

In 2013, we also led the charge to involve 18 other funders in providing much-needed support for summer youth employment opportunities. Thanks to this combined generosity, we were able to raise more than \$100,000 to help put dozens of lowincome young people to work in Middletown and southeastern Connecticut.

The American Bankers Association thought this effort was significant enough to recognize Liberty Bank Foundation with a Community Commitment award. We were one of only six institutions nationwide so honored last year.

WHERE THE RUBBER HITS THE ROAD

You can opt to blaze your own way forward, but there's no vindication for your choice until the numbers come in.

Any way you slice it, Liberty Bank had another financially rewarding year in 2013. Efforts on all fronts helped us outperform competitors of any size, and by any measure. Based on overall earnings, Liberty ended 2013 in the 90th percentile of all Connecticut banks.

The greatest barometer of bank performance is net income. Liberty's year-end \$30.2 million net-income mark exceeded our own projections

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 (dollars in thousands) 2012 Net interest income \$ 118,850 Fee income 28,858 (98,634)Operating expenses Loan loss provision (6,500)**Net Operating Income** 42,574 Capital gains (losses) (186)Provision for income taxes (14,178)Net Income 28,210

CONSOLIDATED BALANCE SHEETS

At December 31

At December 31	NA BOOLE SERVICE THE PR	Mark Market St.
(dollars in thousands)	2013	2012
Assets		
Cash and investments	\$ 802,106	\$ 958,829
Loans:		
Consumer residential	489,248	431,448
Consumer	338,057	335,522
Commercial mortgages	1,438,795	1,277,728
Commercial	404,781	419,065
Gross loans	2,670,881	2,463,763
Loan loss reserves	(38,208)	(37,617)
Loans, net	2,632,673	2,426,146
Other assets	142,116	152,760
Total Assets	\$ 3,576,895	\$ 3,537,735
Liabilities and Capital		
Liabilities:		
Deposits	\$ 2,761,280	\$ 2,834,152
Federal Home Loan		
Bank borrowings	155,230	86,505
Other liabilities	83,638	101,081
Total liabilities	3,000,148	3,021,738
Capital	576,747	515,997
Total Liabilities	A-04 30 34	
and Capital	\$ 3,576,895	\$ 3,537,735
	CHARLES TO BE SERVED	

by over 60 percent and the previous year's result by seven percent.

It was also another strong year for our lending officers. Liberty Bank funded \$1.5 billion in loans, and extended nearly \$400 million to consumers buying new homes. Small business lending was another extraordinary performer, with a 265 percent increase in closed loan volume.

Liberty Bank Investment Services also came to the forefront, with a 34 percent increase in revenue over the previous year, ending the year with more than \$460 million in assets under management. Additionally, the Bank's investments performed extraordinarily well, providing over \$11 million in realized gains.

Because of its strong 2013 financial performance, the Bank provided a total of \$1.7 million in the form of endowment and operating support to its private foundation.

While we expect the road ahead will still present obstacles, one thing is clear. With nearly two centuries of experience, Liberty Bank has the drive to carry on, no matter the conditions.

FIVE-YEAR COMPARISONS

For the years ended December 31					
(dollars in thousands)	2013	2012	2011	2010	2009
Net operating income	\$ 34,347	\$ 42,574	\$ 38,346	\$ 21,853	\$ 27,584
Net income	30,237	28,210	28,356	16,647	31,409
Total assets	3,576,895	3,537,735	3,382,983	3,375,890	3,102,532
Loan loss reserves	38,208	37,617	36,393	47,477	32,709
Net loans	2,632,673	2,426,146	2,334,820	2,279,596	2,218,537
Deposits	2,761,280	2,834,152	2,720,344	2,678,844	2,470,651
Capital	576,747	515,997	474,538	465,500	442,447
Ratios:					
Return on assets	0.84%	0.81%	0.84%	0.51%	1.06%
Net interest margin	3.30%	3.41%	3.33%	3.16%	3.14%
Capital to assets	16.1%	14.6%	14.0%	13.8%	14.3%
Nonperforming assets					
to total assets	0.94%	0.69%	1.62%	3.05%	0.59%
Loan loss reserves to					
nonperforming loans	115%	160%	68%	46%	183%



315 MAIN STREET, MIDDLETOWN, CONNECTICUT 0645

