



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 25, 2010**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Riddell National Bank  
Charter Number 5267

1 East National Avenue  
Brazil, IN 47834-0000

Office of the Comptroller of the Currency

Indianapolis Field Office  
8777 Purdue Road Suite 105  
Indianapolis, IN. 46268-3104

**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: This institution is rated Satisfactory

- The Riddell National Bank's (RNB) distribution of loans represents reasonable penetration among businesses of different sizes and borrowers of different incomes.
- RNB's loan to deposit ratio is reasonable.
- A majority of RNB's primary loan products are made within the bank's assessment area (AA).

### Scope of Examination

RNB was evaluated utilizing the Small Bank examination procedures, which evaluate the bank's record of meeting the credit needs of its AA through its lending practices. The evaluation period was from May 15, 2004 through January 25, 2010.

To evaluate the bank's lending performance, we utilized loans originated by RNB from January 1, 2008 to December 31, 2009. This is representative of the bank's lending strategy since the last Community Reinvestment Act (CRA) examination. During these years, the bank has originated 2,783 loans totaling \$120 million. Based on the number of loans originated and the dollar volume of those loans, we have determined that RNB's primary loan products are residential lending, commercial lending, and consumer loans.

<b>RNB's Loan Originations for 2008 and 2009</b>		
	<b>% of # of Loans Originated</b>	<b>% of \$ of Loans Originated</b>
Residential Real Estate	27.13%	45.59%
Commercial Loans	13.44%	30.37%
Consumer Loans	55.34%	14.99%
Farm Loans	3.84%	7.91%
Other Loans	.25%	1.14%

Residential real estate loans originated by RNB are reported under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable. To evaluate the bank's home loan performance, we used the bank's HMDA data for 2008 and 2009. We selected a sample of the bank's commercial and consumer loans to evaluate the bank's performance within these loan products.

## Description of Institution

RNB is an intrastate bank with its headquarters located in Brazil, Indiana. Brazil is the county seat of Clay County. Brazil is located in west central Indiana on US Highway 40, just north of Interstate 70. Brazil is approximately twenty miles east of Terre Haute and sixty miles southwest of Indianapolis.

As of September 30, 2009, RNB had total assets of \$158 million and tier one capital of \$13.5 million. RNB is wholly owned by RNB Corporation, a one-bank holding company. In addition to its headquarters in Brazil, RNB has three branch locations in Brazil, Center Point, and Terre Haute. The bank operates two ATMs in Brazil. The ATM at the headquarters does accept deposits.

During this evaluation period, RNB opened a branch location in Terre Haute on June 9, 2008. Also, during this period, the bank closed a branch in Brazil on July 1, 2005. This closing did not adversely affect the bank's ability to service its AA.

RNB offers a range of deposit and loan products and services, including trust services. At September 30, 2009, total loans were \$122 million, equaling seventy-seven percent of total assets. The bank's loan portfolio consists of the following:

Loan Portfolio Summary by Loan Product September 30, 2009	
Loan Category	% of Outstanding Dollars
Home Loans	47%
Business Loans	26%
Agricultural Loans	6%
Consumer Loans	19%
Other Loans	2%

Source: September 30, 2009 Call Report Data

There are no legal or financial, or other impediments that hinder RNB's ability to meet the credit needs of its AA. The bank was rated Satisfactory at its last CRA examination dated May 14, 2004.

## Description of Assessment Area

### Brazil Assessment Area

Located in west central Indiana, RNB's AA includes all of Clay County and three census tracts of eastern Vigo County. This AA is a portion of the Terre Haute Metropolitan Statistical Area (MSA) #45460. Of the nine census tracts located within the AA, three are upper income census tracts and the remaining six are middle income census tracts. The total population of the AA is 43,182. Eighty percent of housing is 1-4 family units and sixty-nine percent is owner occupied housing. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income area.

### Demographic Information for the Brazil Assessment Area

	#	% Low	% Moderate	% Middle	% Upper
Family Distribution by Income Level	12,056	14.71%	17.05%	25.22%	43.02%
Household Distribution by Income Level	17,173	17.46%	15.57%	19.58%	47.39%
Number of Businesses		2,389	Businesses with Gross Revenues of \$1 million or less		63.96%
Census Median Family Income (MFI)		\$45,994	Median Housing Value		\$82,674
HUD-Adjusted MFI: 2009		\$51,900	Unemployment Rate		10.00%
HUD-Adjusted MFI: 2008		\$48,300	Families Below the Poverty Level		5.48%
Median Household Income		\$39,313	Households Below the Poverty Level		8.15%

Source: 2000 U.S. Census; 2008 and 2009 HUD Data; Unemployment rate listed is for Clay County as of December 2009 per the Department of Labor

Clay and Vigo Counties, with unemployment rates of 10.0 percent and 10.4 percent respectively, are slightly higher than the current national unemployment rate of 9.7 percent. Community contacts have identified unemployment and employee layoffs as a main concern for the AA. The major employers in the Brazil AA include:

- Great Dane Trailers
- St. Vincent Clay Hospital
- Walmart
- Morris Manufacturing and Sales
- Northview High School
- PDF, Inc.
- North Clay Middle School
- Clay Community School Corp.
- Kroger
- Cloverleaf Health Care Inc.

While assessing the bank’s performance, we contacted two local organizations. While most credit needs are being met, more affordable housing for low- and moderate-income individuals is still a need. As mentioned above, unemployment levels are higher than the national average as employers in the AA have felt the effects of the current global economy, and have been forced to stop hiring, layoff staff, or close their doors. Community development needs include construction financing for the acquisition and development of affordable single family and rental housing in the local area. The need for home ownership counseling and foreclosure prevention classes has increased. Community development opportunities are good with several organizations serving the low- and moderate-income families in the AA.

Competition from other financial institutions is average, with seven other financial institutions located within the AA. The bank’s competitors are primarily from large regional banks. Competition also stems from other companies that offer financial services, including mortgage, finance, and insurance companies.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

RNB's performance of meeting the community credit needs is satisfactory. RNB has a reasonable loan to deposit ratio and a majority of their loans originate inside their AA. RNB has a reasonable distribution among borrowers of different income levels and businesses of different sizes. The bank's AA does not contain any low- or moderate-income census tracts; as such, a geographical distribution review was not performed.

#### **Loan-to-Deposit Ratio**

RNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's net loan-to-deposit ratio averaged 85.12 percent over the 23 quarters since the last CRA examination, with a quarterly low of 66.33 percent and a quarterly high of 96.29 percent.

The bank's net loan-to-deposit ratio is slightly lower than the quarterly average of four peer financial institutions with total assets ranging between \$50 million and \$250 million in Clay, Vigo, Parke, Putnam and Owen counties. The bank's peers had a net loan-to-deposit ratio averaging 88.34 percent over the same 23 quarters. All of the peer bank's had very similar loan-to-deposit ratios, as averages ranged from 84.66 percent to 91.19 percent over the 23 quarters since the last CRA examination.

The loan-to-deposit ratio above does not include loans that were sold in to the secondary market. In the past two years, RNB has sold 196 loans totaling \$22 million.

#### **Lending in Assessment Area**

A majority of RNB's primary loan products were made within the bank's AA. Seventy percent of the loans originated were made within the AA. The following table details the bank's lending within the AA by number and dollar amount of loans.

<b>Lending in Brazil Assessment Area</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE - Home Purchase	117	60.31%	77	39.69%	194	\$6,730	56.72%	\$5,136	43.28%	\$11,866
RE - Home Improvement	60	81.08%	14	18.92%	74	\$933	67.66%	\$446	32.34%	\$1,379
RE - Home Refinance	281	73.95%	99	26.05%	380	\$29,238	72.92%	\$10,858	27.08%	\$40,096
Consumer Loans	14	70.00%	6	30.00%	20	\$196	70.58%	\$82	29.42%	\$278
Business Loans	13	65.00%	7	35.00%	20	\$1,006	69.45%	\$443	30.55%	\$1,449
<b>Totals</b>	<b>485</b>	<b>70.49%</b>	<b>203</b>	<b>29.51%</b>	<b>688</b>	<b>\$38,103</b>	<b>69.19%</b>	<b>\$16,965</b>	<b>30.81%</b>	<b>\$55,068</b>

Source: HMDA data, Sample of 20 Business loans, Sample of 20 Consumer loans.

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's performance under home loans was weighed heaviest in this analysis, as affordable housing was identified as a credit need.

#### *Home Loans*

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. RNB demonstrated excellent penetration to moderate-income borrowers within the home purchase and home improvement products. The bank had reasonable penetration to moderate-income borrowers in the home refinancing loans. Considering that over five percent of the families live below the poverty level, RNB demonstrated reasonable penetration to low income borrowers within all three home products.

The following table shows the distribution of home loans among borrowers of different income levels for the period of January 1, 2008 through December 31, 2009, as compared to the percent of families in each income category.

<b>Borrower Distribution of Residential Real Estate Loans in Brazil Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
RE - Home Purchase	14.71%	5.17%	17.05%	29.31%	25.22%	20.69%	43.02%	44.83%
RE - Home Improvements	14.71%	10.91%	17.05%	18.18%	25.22%	25.45%	43.02%	45.46%
RE - Home Refinance	14.71%	7.22%	17.05%	14.08%	25.22%	23.83%	43.02%	54.87%
% of Total	14.71%	7.14%	17.05%	18.53%	25.22%	23.21%	43.02%	51.12%

Source: 2008 and 2009 HMDA Data; 2000 U.S. Census Data

### *Business Loans*

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Seventy percent of the business loans sampled were to small businesses. A small business is defined as a business with gross revenues of one million dollars or less. This is favorable to demographic data that shows sixty-four percent of the AA businesses are small businesses.

As twenty-five percent of our sample did not contain gross revenue information, we also looked at proxy by loan size. Eighty percent of the loans in the sample were originated for \$100,000 or less. Typically, smaller businesses request smaller dollar amount loans.

The following tables show the distribution of commercial loans among businesses of different sizes in the Brazil AA and the distribution of business loans by loan size.

<b>Borrower Distribution to Businesses in Brazil Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	63.96%	3.81%	32.23%	100.00%
% of Bank Loans in AA by #	70.00%	5.00%	25.00%	100.00%
% of Bank Loans in AA by \$	40.00%	17.98%	42.02%	100.00%

Source: Sample of 20 Business Loans originated within the assessment area between January 1, 2008 and December 31, 2009.

<b>Borrower Distribution of Loans to Businesses by Loan Size in Brazil Assessment Area</b>				
Loan Size	Number of loans	Percent of Number	Dollar Volume of Loans	% of Dollars
\$0 - \$100,000	16	80.00%	614,923	44.23%
\$100,001 - \$250,000	3	15.00%	525,300	37.78%
\$250,001 - \$500,000	1	5.00%	250,150	17.99%
<b>Total</b>	<b>20</b>	<b>100.00%</b>	<b>1,390,373</b>	<b>100.00%</b>

Source: Sample of 20 Business Loans originated within the assessment area between January 1, 2008 and December 31, 2009.

*Consumer Loans*

The distribution of consumer loans to borrowers reflects poor penetration among borrowers of different income levels. The penetration among low-income borrowers is poor; only five percent of the consumer loans sampled were made to low-income borrowers. This is compared to seventeen percent of the AA households which are considered low-income. While penetration is poor, the difference in the bank performance to demographic data is not as significant given that eight percent of the AA households are considered below the poverty level. RNB’s penetration among moderate-income borrowers is reasonable.

The following table shows the distribution of sampled consumer loans among households of different income levels for the period of January 1, 2008 through December 31, 2009, as compared to the percent of households in each income category.

<b>Borrower Distribution of Consumer Loans in Brazil Assessment Area</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Total
	% 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	
% of Total	17.46%	5.00%	15.57%	15.00%	19.58%	30.00%	47.39%	50.00%	100.00%

Source: Sample of 20 loans originated within the assessment area, between January 1, 2008 and December 31, 2009

**Responses to Complaints**

RNB has not received any CRA complaints during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

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