



## **PUBLIC DISCLOSURE**

September 30, 2014

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Riddell National Bank  
Charter Number 5267

1 East National Avenue  
Brazil, IN 47834

Office of the Comptroller of the Currency

8777 Purdue Road Suite 105  
Indianapolis, Indiana 46268

**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 major factors supporting Riddell National Bank's (RNB or Bank) rating include:

- The average loan-to-deposit ratio is reasonable, considering RNB's size, financial condition, and assessment area credit needs.
- A majority of the RNB's loans are originated inside the bank's assessment area (AA).
- The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans shows reasonable dispersion of loans within RNB's assessment area.
- RNB did not receive any consumer complaints regarding its CRA performance during the evaluation period.

**SCOPE OF EXAMINATION**

This evaluation addresses RNB's Community Reinvestment Act (CRA) performance from January 25, 2010 to June 30, 2014. We assessed RNB's CRA performance using Small Bank examination procedures, which include a lending test. The lending test includes an evaluation of the bank's lending practices with respect to the following criteria:

- Loan-to-deposit ratio, considering internal and external factors,
- Percentage of loans originated within the bank's AA,
- Lending to borrowers of different income levels and businesses of different sizes,
- Lending in low- and moderate-income geographies within the AA, and
- The bank's record of taking action to written complaints regarding its performance in helping meet the credit needs of its AA.

To evaluate RNB's lending practices, we completed a full-scope analysis of its AA. We considered data from a representative sample of the bank's primary loan products. This sample consisted of home purchase, home refinance, and commercial loans originated by RNB from January 1, 2012 to December 31, 2013. For home purchase and home refinance loans, we verified integrity and utilized the 2012 and 2013 data reported by the bank under the requirements of the Home Mortgage Disclosure Act (HMDA). For commercial loans, we randomly selected 20 commercial loans originated during 2012 and 2013 to gather the pertinent data.

## DESCRIPTION OF INSTITUTION

RNB is a full-service intrastate bank that is wholly owned by RNB Corporation, a one-bank holding company headquartered in Brazil, Indiana. RNB offers traditional banking products and services at its main office in Brazil and three branch locations in Brazil, Center Point, and Terre Haute. There are deposit-taking ATMs at each location, except Center Point.

The majority of RNB's deposits are associated with its three offices in Clay County. RNB's main office is its primary deposit-gathering location with approximately 70 percent of total deposits. Deposits at the other two office locations in Clay County represent about 15 percent. RNB's Terre Haute branch office, which is its only Vigo County location, holds the remainder or 15 percent of its total deposits.

As of June 30, 2014, RNB had total assets of \$187.6 million and tier 1 capital of \$16.3 million. Loans of \$144.9 million represented 77.4 percent of total assets. RNB's loan portfolio composition and loan originations indicate an ongoing focus on residential real estate and commercial loans.

The following tables provide an overview of RNB's loan portfolio and loan originations.

Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Real Estate	79,264	54.7	42.4
Commercial	37,855	26.1	20.2
Agricultural	12,645	8.7	6.8
Consumer	11,860	8.2	6.3
Other	3,240	2.2	1.7
Total	\$ 144,864	100.0%	77.4%

Source: Call Report for June 30, 2014

2012 – 2013 Loan Originations		
	% of # of Loans Originated	% of \$ of Loans Originated
Residential Real Estate	34.9%	54.2%
Commercial Loans	13.1%	26.5%
Consumer Loans	48.1%	10.0%
Farm Loans	3.5%	8.1%
Other Loans	0.4%	1.2%
Total	100.0%	100.0%

Source: Internal Bank Report

RNB's activities are consistent with its size, financial capability, local economic conditions, and credit needs of the community. RNB does not have any legal, financial, or other impediments that hinder its ability to meet the credit needs of its AA. RNB received a Satisfactory CRA rating at our last CRA evaluation dated January 25, 2010.

## DESCRIPTION OF ASSESSMENT AREA

RNB defines its assessment area (AA) as all of Clay County, Indiana and all of Vigo County, Indiana. These two counties are a portion of the Terre Haute Metropolitan Statistical Area (MSA). The AA consists of 34 census tracts. Vigo County has 28 census tracts, with six low-income tracts and six moderate-income tracts. Clay County does not have any tracts designated as low or moderate-income. RNB's AA meets the requirements of CRA and does not arbitrarily exclude any low- or moderate-income geographies.

The following table presents additional demographic data for the AA.

<b>Demographic Information for Terre Haute MSA AA</b>	
Population	134,738
Families	32,599
Households	50,752
Housing Stock: <i>1-4 family housing units</i>	84%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>	60%, 28%, 12%
Home Values: <i>Median home value</i>	\$93,190
Age of Homes: <i>Median year of homes built</i>	1959
Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	21%, 19%, 19%, 41%
Weighted Average of Census MSA Median Family Income	\$51,224
Weighted Average of FFIEC 2013 Updated MSA Median Family Income	\$53,600
Families Below Poverty Level	12%
Households Below Poverty Level	17%
Unemployment Rate (June 2014)	7.7%

Source: 2010 Census Data; U.S. Bureau of Labor Statistics.

Competition is moderate and consists of nine other financial institutions. Most of these competitors are large or regional banks. As of June 30, 2013, RNB and the other nine financial institutions operated 44 branches in Clay and Vigo counties and held deposits of \$2.1 billion. RNB's four branches with \$153.3 million of deposits represent a market share of 7.39 percent; this ranks RNB fifth of the ten financial institutions in deposit market share.

A community contact familiar with credit needs in the AA indicated that the banks in the AA are active in the community and are willing to provide financing to qualified applicants. The contact felt most credit needs of the community are being met, but noted reliable transportation remains a challenge for low- and moderate-income individuals or families.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

RNB’s loan-to-deposit (LTD) ratio is reasonable given its asset size, financial condition, and AA credit needs. The bank’s quarterly LTD over the 20 quarters since the last CRA evaluation averaged 87.84 percent. During this timeframe, the LTD ratio ranged from a high of 91.88 percent to a low of 81.37 percent.

RNB’s average quarterly LTD ratio of 87.84 percent is also reasonable in comparison to those of two similarly situated banks located within the AA. The two similarly situated banks with total assets of \$74.1 million and \$310.4 million had an average LTD ratio of 110.96 percent and 82.00 percent, respectively.

### Lending in Assessment Area

RNB originated a majority of its home purchase, home refinance, and commercial loans to borrowers inside its AA. Based on our analysis, 75.84 percent of loans by number and 70.59 percent of loans by dollar were inside the AA.

Lending in AA										
Type of Loan	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	369	77.20%	109	22.80%	478	\$26,144	72.39%	\$9,972	27.61%	\$36,116
Home Refinance	289	72.98%	107	27.02%	396	\$28,469	67.97%	\$13,417	32.03%	\$41,886
Commercial Loans	20	100.00%	0	100.00%	20	\$1,519	100.00%	\$0	0.00%	\$1,519
Total	678	75.84%	216	24.16%	894	\$56,132	70.59%	\$23,389	29.41%	\$79,521

Source: Residential lending data from 2012 and 2013 HMDA data; Commercial data based on sample of 20 loans originated in 2012 and 2013.

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

RNB’s overall distribution of loans reflects a reasonable penetration among individuals of different income levels and to businesses of different sizes.

#### *Home Loans*

The distribution of home loans reflects reasonable penetration among borrowers of different income levels. RNB’s penetration to moderate-income borrowers was excellent for home purchase loans and reasonable for home refinance loans. Penetration to low-income borrowers for both home loan products is poor compared to the percentage of low-income families in the

AA. However, RNB’s results are reasonable considering twelve percent of the families live below the poverty level.

Families living below the poverty level often experience economic barriers to home ownership, which results in a smaller population of potential low-income borrowers. The bank’s performance regarding home loan originations to low-income borrowers is consistent with aggregate lending data (peer data). Aggregate lending to low-income borrowers was 12.02 percent for home purchase loans and 6.42 percent for home refinance loans.

<b>Borrower Distribution of Residential Real Estate Loans in AA</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
Home Purchase	20.75%	8.67%	19.03%	24.66%	19.29%	28.46%	40.93%	38.21%
Home Refinance	20.75%	4.18%	19.03%	14.29%	19.29%	24.04%	40.93%	57.49%

Source: 2012 and 2013 HMDA data; 2010 U.S. Census data.

*Commercial Loans*

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes with known incomes. Based on our commercial loan sample, RNB originated the majority to businesses with gross revenue of less than \$1 million (i.e. small businesses). RNB’s percentage of loans to small businesses exceeds the demographic data for those businesses that reported revenue, but revenues were unavailable in approximately 26 percent of AA businesses.

<b>Borrower Distribution to Businesses in AA</b>				
Business Revenues	<\$1,000,000	>=\$1,000,000	Unavailable	Total
% of AA Businesses	69.13%	4.75%	26.13%	100.00%
% of Bank Loans in AA by #	75.00%	25.00%	0.00%	100.00%
% of Bank Loans in AA by \$	66.31%	33.69%	0.00%	100.00%

Source: Sample of 20 commercial loans originated during 2012 and 2013; 2013 Business Geodemographic data.

**Geographic Distribution of Loans**

The geographic distribution of RNB’s home and commercial loans reflects reasonable dispersion within its AA in comparison to demographic information and other lenders in the AA.

*Home Loans*

RNB’s geographic distribution of home loans in low- and moderate-income tracts is poorly dispersed in comparison to the corresponding percentage of owner-occupied housing. However, RNB’s results are reasonable when compared to aggregate HMDA data for all AA lenders. Aggregate lending for home purchase loans in low- and moderate-income census tracts was 3.0 percent and 8.6 percent respectively. For refinance loans, aggregate lending in low- and moderate-income census tracts was 2.0 percent and 7.0 percent respectively pursuant to 2012 Peer Mortgage Data.

RNB’s limited presence, and competition in Vigo County explains its lower percentage of lending in the low- and moderate-income census tracts. RNB has only one branch in Vigo County where all the low- and moderate-income (LMI) census tracts in its AA are located. It ranks sixth in market share based on its lending in the LMI census tracts. The top four lenders are large or regional banks that are not similarly situated and the fifth is a similarly situated community bank. These primary competitors have more than one location in Vigo County and several have an office located within or closer to the LMI tracts than RNB.

<b>Geographic Distribution of Home Mortgage Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Type of Loan	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Loans	% of Number of Loans
Home Purchase	6.22%	1.36%	12.61%	6.23%	49.49%	59.62%	31.58%	32.79%
Home Refinance	6.22%	0.35%	12.61%	2.44%	49.59%	60.28%	31.58%	36.93%

Source: 2012 and 2013 HMDA data; 2010 U.S. Census data.

*Commercial Loans*

The geographic distribution of commercial loans in the AA shows reasonable dispersion overall. The sample of 20 commercial loans did not include any to businesses in the low-income census tract. However, the sample reflects an excellent percentage of loans to businesses in the moderate-income tracts. RNB’s percentage of commercial loans to businesses in the moderate-income census tracts exceeded the percentage of businesses in those census tracts.

<b>Geographic Distribution of Commercial Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Type of Loan	% 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
Commercial	17.44%	0.00%	10.86%	25.00%	46.10%	45.00%	25.60%	30.00%

Source: Sample of 20 commercial loans originated during 2012 or 2013; 2013 Business Geodemographic data

**Responses to Complaints**

RNB has not received any complaints regarding its CRA performance since our previous evaluation.

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

Pursuant to 12 CFR 25.28(c), or 12 CFR 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.