



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**January 22, 2007**

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

**The National Bank of Indianapolis  
Charter Number 22652**

**107 North Pennsylvania Street, Suite 700  
Indianapolis, IN 46204**

**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 lending test is rated **Satisfactory**.

The community development test is rated **Satisfactory**.

The primary factors supporting NBI's rating include:

- The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, and the assessment area's credit needs.
- NBI originated a substantial majority of its loans to borrowers in the assessment area (AA).
- The distribution of NBI's home mortgage and commercial loans reflects an adequate dispersion among borrowers of different income levels throughout the bank's AA.
- NBI demonstrates satisfactory responsiveness to the community development needs in the AA.

## **Scope of Examination**

This Performance Evaluation assesses The National Bank of Indianapolis' capacity to help meet the credit needs of the communities in which it operates. An Intermediate Small Bank is subject to a lending test and a community development test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. The community development test evaluates a bank's community development lending, qualified investments, and community development services activities.

Conclusions regarding the bank's lending performance are based on loans to small businesses and residential mortgage loans originated or purchased from January 1, 2005 to December 31, 2006. Business loans are the bank's primary product based on a review of the number and dollar amount originated during this period. Our review of home mortgage loans focused on purchase money originations and refinances as they comprise the majority of mortgages originated. Our evaluation focused on commercial lending activity, followed by home mortgage lending.

The evaluation period used for the community development test (October 21, 2002 to January 22, 2007) represents the time between Community Reinvestment Act (CRA) examinations. This test includes a review of the investments, services, and loans provided in the bank's assessment areas that meet the definition of Community Development (CD).

As part of this CRA evaluation, we reviewed publicly filed information for HMDA reportable loans and internal reports for loans to small businesses made in 2005 and 2006, and found the data to be accurate. CD loans, investments, and services submitted by management were also verified to ensure that they meet the regulatory definitions.

## **Description of Institution**

As of December 31, 2006, The National Bank of Indianapolis (NBI) had \$1 billion in total assets. NBI is an intrastate institution headquartered in Indianapolis, Indiana. NBI operates nine traditional full service branches with six in Marion County, two in Hamilton County, and one in Johnson County. NBI opened one branch in Hamilton County in September 2006. This was the only branch opening during the evaluation period. The bank also operates 13 automatic teller machines (ATMs). Nine are full service machines located at each of the branches. There is one full service freestanding machine which serves a nearby small business corridor. The other three machines are free standing cash dispensing units.

NBI is a wholly owned subsidiary of The National Bank of Indianapolis Corporation (NBIC), a locally owned and managed corporation, also headquartered in Indianapolis, Indiana. NBIC has no other subsidiaries. NBI was founded in 1993 with the vision and focus of providing a high level of specialized service to professionals, executives, businesses with annual sales of less than \$30 million, and not-for-profit organizations located within its AA. In its application for a charter, the bank's stated mission was "to acquire and maintain profitable multi-service financial relationships with the priority market segments of small/medium sized businesses, executive/professional/affluent individuals, and not-for-profit organizations in the Indianapolis

marketplace." The business strategy goes on to state "the lending strategies will focus primarily upon commercial loans to small and medium sized businesses and professionals, while including those in low and moderate income areas. In addition, a residential mortgage lending strategy will be directed to executive and professional customers." With 36 other financial institutions serving the AA, this focus is reasonable.

In addition to their business strategy, NBI offers conventional mortgage loans, home improvement and refinance loans, and consumer loans. However, they do not actively market these products. As of September 30, 2006, loans represented 72 percent of total assets and consisted of commercial and commercial real estate loans (57 percent), residential real estate loans (36 percent), and consumer loans (7 percent).

There are no financial, legal or other factors, which would impede the bank's ability to meet the credit needs of the community it serves. As of September 30, 2006, NBI reported Tier 1 capital of \$69.4 million. The bank's previous CRA rating as of October 21, 2002 was Satisfactory.

During 2005 and 2006, the bank originated loans, as noted below.

Commercial	\$245 million	375 loans
Residential Real Estate	\$ 84 million	285 loans
Consumer	\$ 44 million	296 loans

*Source: Commercial and consumer loans are derived from NBI's internally generated reports. Residential real estate data is derived from Home Mortgage Disclosure Act Loan Application Registers (HMDA LARs) for 2005 and 2006.*

## **Description of Assessment Area**

NBI's AA meets the requirements of the CRA and does not arbitrarily exclude low- or moderate-income geographies. The AA is comprised of portions of the Indianapolis-Carmel MSA # 26900, and includes all of Marion County, the southern portion of Hamilton County and one census tract in both Boone and Johnson Counties.

Our review included contacting a community organization that works to assist affordable housing needs in Marion County. The contact identified the following as community needs: affordable consumer loan products, including a home repair product; financial planning workshops for low- and moderate-income individuals; and continued urban revitalization of downtown Indianapolis. In addition to this contact, we reviewed five other community contacts made by our agency within this AA. These five organizations included affordable housing organizations, community development revitalization corporations, and a low-income community development financial institution. Additional community needs identified by these five contacts included construction loans to rehabilitate housing, small business loans, and bank branches located within low- and moderate-income geographies.

Numerous community development opportunities exist within the AA.

According to the 2000 census data, 12 percent of the AA's census tracts are in low-income geographies; 34 percent of the census tracts are moderate-income areas; 33 percent are middle-income census tracts, and 21 percent of the census tracts are in upper-income geographies. The following demographic information is based on 2000 Census Data for the AA:

<b>Demographic Information for Indianapolis MSA AA</b>	
	2000 Census Data
Population:	990,023
Housing Stock: <i>1-4 family housing units</i>	78%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>	57%, 35%, 8%
Home Values: <i>Median home value</i>	\$108,627
Age of Homes: <i>Median year of homes built</i>	1968
Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	21%, 19%, 22%, 38%
2000 Weighted Average of MSA Median Family Income	\$55,425
2006 HUD Updated Weighted Average of MSA Median Family Income	\$65,100
Households Below Poverty Level	10%

The total number of businesses located within the AA is 71,352. Of this total, five percent are located in the low-income tracts, 21 percent in moderate-income tracts, 40 percent are located in middle-income tracts, and 34 percent are located in upper-income tracts. Small businesses (gross revenues of less than \$1 million) make up 65 percent of the businesses in the AA.

Unemployment rates for Marion and Hamilton Counties were 4.5 percent and 2.7 percent, respectively as of November 2006. The Marion County ratio is similar to the state of Indiana, and national averages which were both 4.5 percent, as of November 2006.

NBI ranks sixth in deposit market share (4.36 percent) in Marion and Hamilton Counties. Thirty-seven banks (including NBI) have at least one office in these two counties. These banks consist of small community banks, regional banks, and large banks. Additional competition in the AA comes from credit unions and other financial service providers.

## Conclusions about Performance Criteria

### Lending Test

The bank's performance under the lending test is satisfactory. NBI's performance in its AA is adequate, based on small business and home mortgage loans. NBI's loan-to-deposit ratio is reasonable. A substantial majority of loans originated were to borrowers in the AA. The distribution of NBI's home mortgage loans and commercial loans reflects an adequate dispersion among borrowers of different income levels throughout the AA. However, the overall geographic distribution of NBI's home mortgage loans and small loans to businesses reflects poor penetration throughout the AA.

### Loan-to-Deposit

The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, and the assessment area's credit needs. During the past 17 quarters, NBI's loan-to-deposit ratio has averaged 88 percent. This average ratio is below the local peer bank's quarterly average of 96 percent. The local peer group of four banks, including NBI, has total assets ranging from \$450 million to \$2.15 billion that are headquartered within the bank's AA. The quarterly average loan-to-deposit ratios of this group ranged from 79 percent to 111 percent.

### Lending in the Assessment Area

NBI originated a substantial majority of its loans to borrowers in the AA. Based on loans to small businesses and home mortgage loans originated by NBI during the evaluation period, 87 percent of the loans were made to borrowers located in the AA.

Lending in AA										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	242	84.91%	43	15.09%	285	\$71,300	85.20%	\$12,385	14.80%	\$83,685
Small Loans to Businesses	438	87.78%	61	12.22%	499	\$108,197	88.31%	\$14,320	11.69%	\$122,517
Total	680	86.73%	104	13.27%	784	\$179,497	87.05%	\$26,705	12.95%	\$206,202

Source: Home mortgage data is obtained from the HMDA Loan Application Registers for 2005 and 2006. Small Commercial data is obtained from internal reports for small business loans originated in 2005 and 2006.

### Distribution of Loans by Income Level of the Borrower

The borrower distribution of NBI's home mortgage loans and commercial loans reflects an adequate dispersion among borrowers of different income levels throughout the bank's AA.

### *Loans to Small Businesses*

The borrower distribution of loans to small businesses is adequate. The percentage of loans to businesses with revenues less than \$1 million is somewhat lower than the percentage of businesses that reported revenue of less than \$1 million.

Based on contextual information and knowledge of the AA, more than seven percent of the businesses in the AA would have gross annual revenues of over \$1 million. We believe that a majority of the 31 percent shown as unavailable in demographic data would actually be classified as businesses with gross annual revenues of over \$1 million.

<b>Borrower Distribution of Loans to Small Businesses in AA</b>				
Business Revenues	<=\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	61.81%	6.74%	31.45%	100.00%
% of Bank Loans in AA by #	46.35%	45.66%	7.99%	100.00%
% of Bank Loans in AA by \$	35.98%	55.01%	9.01%	100.00%

Source: Small Commercial data is obtained from internal reports for small business loans originated in 2005 and 2006.

### *Home Mortgage Loans*

The overall borrower distribution of home mortgage loans by income levels is adequate.

The borrower distribution of home mortgage loans to low-income borrowers is good. The percentage of loans to low-income borrowers is less than demographics; however, performance is considered good given the family poverty rate of six percent in the AA.

The borrower distribution of home mortgage loans to moderate-income borrowers is adequate. The percentage of loans to moderate-income borrowers is lower than demographics, but considered adequate given the bank business strategy.

<b>Borrower Distribution of Residential Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Home Mortgages	21.37%	14.88%	19.02%	12.81%	21.81%	8.26%	37.80%	64.05%

Source: HMDA LAR information for 2005 and 2006

## Distribution of Loans by Income Level of the Geography

The overall geographic distribution of NBI's home mortgage loans and loans to small businesses reflects poor penetration throughout the AA geographies. Our analysis reflected lending in a majority of the census tracts in the AA.

### *Loans to Small Businesses*

The geographic distribution of loans to small businesses reflects a poor distribution among moderate-income geographies. Twenty-one percent of the businesses in the AA are located in moderate-income tracts. However, only nine percent of the loans originated by NBI in the AA were located in moderate-income tracts.

The geographic distribution of loans to small businesses made in low-income areas is adequate. NBI originated three percent of their loans to small businesses in the AA to businesses located in low-income tracts. Only five percent of the businesses in the AA are found in low-income tracts.

<b>Geographic Distribution of Loans to Small Businesses in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Small Loans to Businesses	5.20%	2.51%	21.09%	9.13%	39.49%	44.29%	34.05%	44.06%

Source: Small Commercial data is obtained from internal reports for small business loans originated in 2005 and 2006.

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects an adequate distribution among the different income-level geographies.

The geographic distribution for home mortgage loans is good in the low-income geographies. Five percent of the home mortgage loans originated by NBI within the AA were located in low-income geographies. This is similar to demographic data which shows five percent of the census tracts in the AA are low-income.

The distribution for moderate-income tracts is poor. Twenty-five percent of the tracts in the AA are considered moderate-income. NBI originated only 14 percent of the home mortgage loans in the AA to borrowers located within moderate-income geographies.

Geographic Distribution of Home Mortgage Loans in AA								
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 Mortgages	4.60%	5.37%	25.46%	14.05%	35.58%	21.90%	34.36%	58.68%

Source: HMDA LAR information for 2005 and 2006

## Community Development Test

**NBI demonstrates satisfactory responsiveness to the community development needs in the AA.**

### Community Development Loans

During this evaluation period, NBI originated community development loans to seven organizations totaling \$3.8 million. One large loan was made to Volunteers of America of Indiana for \$1.9 million for the Theodora House Project. This entity provides short-term housing in Indianapolis for women leaving incarceration. Another \$1.25 million was loaned to Raphael Health Center to build a health care center in a moderate-income census tract. While this is not a free clinic, many of the patients are low- or moderate-income individuals and receive financial assistance through the center to cover their medical care. NBI committed to purchasing \$500 thousand of the Indianapolis Neighborhood Housing Partnership (INHP) home mortgage pool. These pools are made up of home mortgages to low- and moderate-income individuals within the central part of Indianapolis. During this evaluation period, NBI made eight advances totaling \$149 thousand. Additional loans were made to various other organizations to build affordable housing, provide health care services, a daytime homeless shelter, and life-skills training. These organizations target the services to low- and moderate-income individuals. In addition to the community development loans made in the AA, the bank originated a \$370 thousand loan to Volunteers of America for a work release facility located outside the AA. This loan benefits the broader statewide area, including the bank's AA.

## Qualified Investments

NBI invested \$58 thousand in 16 organizations during this evaluation period. A majority of the organizations provide a variety of community services, primarily to low- and moderate-income individuals or assist with affordable housing for low- and moderate-income individuals. INHP received \$30 thousand in grants from NBI throughout this evaluation period. This organization finances affordable housing and economic development projects as part of targeted neighborhood revitalization efforts. INHP also offers homeownership counseling and subordinate financing to create and encourage homeownership in the central part of Indianapolis.

A majority of INHP's clients are low- or moderate-income individuals. Three other organizations received grants of \$5 thousand or more from NBI. These organizations are Partners in Housing Development Corporation, Volunteers of America - Theodora House, and Raphael Health Center.

## Community Development Services

During this evaluation period, 13 organizations meeting the definition of community development benefited from services provided by NBI through officers/employees. These officers/employees provided financial assistance through fund raising, budget preparation and evaluation, investment advice, and advice on financing. Others served as members of loan committees, members of finance committees, or spoke/instructed to improve financial literacy among low- and/or moderate-income individuals. A majority of the service organizations provide assistance in a variety of ways to primarily low- and moderate-income individuals. Some of the organizations provided affordable housing to low- and moderate-income individuals.

Other community development services include NBI acting as a loan servicing agent to the Indianapolis Small Business Loan Fund. This loan fund provides alternative financing to small businesses in core urban neighborhoods, where a majority of the targeted neighborhoods are low- and moderate-income geographies. These loans typically do not meet the standard underwriting criteria of most banks.

NBI also teamed up with Family Service Association of Indiana to originate and service the "Ways to Work" loan program. This program provides small low interest loans to low-income individuals to purchase or repair automobiles, providing employment or educational opportunities. Loan decisions are made by the Family Service Association of Indiana "Ways to Work" loan committee. An officer of the bank serves on this committee. In 2005 and 2006, NBI funded 41 of these loans totaling \$74 thousand.

NBI served as a sponsor for Volunteers of America as they sought a FHLB Community Grant for the Theodora House Project. As sponsor, bank officers provided analysis and information for the project. This project, providing short-term housing for women leaving incarceration, was awarded a \$500 thousand grant.

NBI's delivery systems are reasonably accessible to essentially all geographies and individuals of different income levels in the AA. While all branches and ATMs are located in middle- or upper-income geographies, eight of the nine branches are located within five miles of a low- or

moderate-income geography. Services, including business hours, do not vary in a way that inconveniences low- or moderate-income individuals. Branch hours offer reasonable access and convenience.

The bank offers 24-hour access for its customers through its telephone banking and Internet banking products. These free products allow customers to check balances, transfer funds, and verify if checks have cleared. NBI did not have any information to show how low- and moderate-income individuals or geographies benefited from these alternative delivery systems. Therefore, we could not place significant weight on these systems when drawing our conclusions.

## **Responses to Complaints**

NBI has not received any complaints about its performance in helping to meet AA needs 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.