



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

October 25, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**107 North Pennsylvania Street
Indianapolis, Indiana 46204**

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Indianapolis Field Office
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NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The National Bank of Indianapolis, Indiana**, as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **October 25, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

Major Conclusions:

- The bank's distribution of lending to borrowers reflects good penetration among retail customers of different income levels. Twenty percent (20%) of home purchase loans were originated to low- and 25% to moderate-income borrowers.
- The geographic distribution of lending to borrowers shows adequate performance in low- and moderate-income census tracts. The National Bank of Indianapolis (NBI) made 5% of its home purchase loans in low- and 16% in moderate-income census tracts.
- The bank's record of lending to small business customers is adequate. Over 39% of small business loans were made to businesses with revenues of less than \$1 million.
- The geographic distribution of lending to small businesses shows adequate performance in low- and moderate-income census tracts. NBI made 11% of its small business loans in low- and 6% in moderate-income census tracts.
- NBI's lending levels reflect adequate responsiveness to its assessment area's credit needs. NBI originated 1,107 HMDA and small business loans totaling \$204,211,000 during this evaluation period.
- A substantial majority (91%) of the loans originated within the bank's assessment area.
- The loan-to-deposit ratio is adequate with an 8-quarter average of 75%.

DESCRIPTION OF INSTITUTION

The National Bank of Indianapolis (NBI) is an intrastate institution which began operations in December 1993. The focus of NBI is to provide a high level of specialized service to professionals, executives, small businesses with annual sales of less than \$30 million, and not-for-profit organizations in the Indianapolis area. The bank experienced rapid growth and has total assets of \$396 million as of June 30, 1999. This represents a 63% growth rate in total assets since December 31, 1997.

NBI has five (5) branches in addition to its main office. Two (2) of these offices were opened during our evaluation period. Also, two (2) of these facilities were previously abandoned branches of other large banks. All offices are located in Indianapolis. NBI operates ten (10) ATM's. All of the ATM's except one (1) are in Indianapolis; the other one (1) is in Carmel, Indiana.

NBI is the only subsidiary of The National Bank of Indianapolis Corporation. Therefore, the total assets of the corporation on June 30, 1999, were also \$396 million.

As of June 30, 1999, the bank had \$396 million in total assets and \$264 million in total loans. The make-up of the loan portfolio was 56% real estate secured. Forty-two percent (42%) of the portfolio is 1-4 family residential loans, 11% is commercial real estate loans, and 3% is construction. Another 33% are commercial loans and 11% are loans to individuals.

There are no financial, legal or other factors that impede the bank's ability to meet its communities' credit needs.

DESCRIPTION OF INDIANAPOLIS MSA

NBI's Assessment Area (AA) is a portion of the Indianapolis MSA. The AA includes all of Marion County (204 census tracts) and adjacent portions of Hamilton County (11 census tracts) and Boone County (2 census tracts). This portion of the MSA includes 217 census tracts and is comprised of 24 (11%) low-income, 59 (27%) moderate-income, 76 (35%) middle-income, and 57 (26%) upper-income census tracts. One census tract in the AA does not have an income designation.

The total population of this portion of the MSA is 864,979 people. Based on the 1999 HUD adjusted Median Family Income for the MSA of \$54,600, there are 20% low-income, 19% moderate-income, 23% middle-income, and 38% upper-income families in this portion of the Indianapolis MSA.

There are a total of 374,586 housing units in the assessment area. Fifty-four percent (54%) or 200,901 of the homes are owner-occupied. Only 5% of the owner-occupied units are in the low-income census tracts, 22% are located in the moderate-income census tracts, 35% are located in middle-income census tracts, and the remaining 38% of the owner-occupied units are in upper-income census tracts. Thirty-eight percent (38%) or 142,493 of the housing units are rental occupied while the remaining 31,192 units (8%) are vacant. The median housing price for this portion of the Indianapolis MSA is

\$67,703 and the average age of homes is approximately 37 years old.

Business demographic data from Dun & Bradstreet indicates there are 35,495 businesses in this portion of the MSA. Sixty-four percent (64%) or 22,873 of these businesses have gross revenues of less than \$1 million. Twelve percent (12%) have revenues over \$1 million, with the revenues of the remaining 23% of the businesses unknown. Of the total businesses, 10% are located in the low-income census tracts, 19% are in the moderate-income census tracts, 32% are in the middle-income census tracts, and 39% are in the upper-income census tracts of the assessment area.

Business demographic data from Dun & Bradstreet indicates there are 654 farms in this portion of the MSA. Ninety-one percent (91%) or 592 of these farms have gross revenues of less than \$1 million. Only 3% have revenues over \$1 million, with the revenues of the remaining 6% of the farms unknown. Of the total farms, 2% are located in the low-income census tracts, 12% are in the moderate-income census tracts, 29% are in the middle-income tracts, and 56% are in the upper-income tracts of the MSA.

Major employers in this portion of the MSA include: Local government offices with 57,400 employees, Clarion Health with 10,000 employees, Eli Lilly (a pharmaceuticals company) with 10,000 employees, Conseco (an insurance services company) with 3,200 employees, and USA Group (a student loan guarantor) with 1,600 employees. The local economy has continued to grow with both commercial (retail especially) and residential development. Unemployment in the Indianapolis MSA is very low as reflected in the rate of only 2.1% as of August 31, 1999.

There is a very high level of competition in the financial services market in the Indianapolis MSA. Based on FDIC branch information as of June 30, 1998, there are 27 financial institutions with 281 offices in these 3 counties of the Indianapolis MSA. This includes a large number of both independent local financial institutions and branches of larger regional financial organizations. Bank management indicated their major competitors in this assessment area include: National City Bank of Indiana, Bank One Indiana, N.A., Fifth Third Bank - Central Indiana, Keybank, N.A., Union Planters Bank, Irwin Union Bank and Trust Company, First Indiana Bank, Union Federal Savings Bank of Indianapolis, Dow Employees Credit Union, Harrington Bank Federal Savings Bank, Metro Bank, Huntington National Bank, Star Financial Bank of Anderson, Citizens Bank, Home Bank (Savings Bank), and Ameriana Bank of Indiana.

During this examination, we reviewed information from several community contacts in this area made by other examiners. These contacts were involved in housing and small business development. The contacts indicated the major credit needs of the community include affordable housing and business start-up capital.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Distribution of lending to borrowers of different income levels and to businesses of different sizes reflects an adequate level of lending to retail customers and to business customers of different sizes. Refer to Table 1 and 2 for the data used to evaluate the borrower distribution of the bank's HMDA and small business loan originations.

Home Purchase Loans

The distribution of lending to borrowers of different income levels for home purchase loans reflects good performance. During this evaluation period, NBI originated 55 or 20% of its home purchase loans to low-income borrowers and 69 or 25% of its home purchase loans to moderate-income borrowers. The census data from 1990 shows that 20% of families in the bank's AA are low-income families and 19% are moderate-income families. The bank's distribution of home purchase loans to low- and moderate-income borrowers is above the 1990 census demographics. It is important to note that 10% of the households in the assessment area are living below the poverty level.

Aggregate 1997 HMDA data shows 140 lenders reported 2,501 home purchase loans to low-income borrowers and 196 lenders reported 5,267 home purchase loans to moderate-income borrowers within the bank's AA. NBI ranks 33rd with 0.72% market share to low- and 32nd with 0.55% market share to moderate-income borrowers. The performance to low- and moderate-income borrowers is above the market share to middle- (0.22%) but below the market share to upper-income (0.96%) borrowers. Although the bank's level of lending to low- and moderate-income borrowers is below the market share to upper-income borrowers, it meets or exceeds the 1990 census demographics and is considered to be good.

Home Improvement Loans

The distribution of lending to borrowers of different income levels for home improvement loans shows an adequate level of performance. NBI originated no home improvement loans to low-income borrowers and only 4 (57%) home improvement loans to moderate-income borrowers during this evaluation period. The census data from 1990 shows that 20% of families in the bank's AA are low-income families and 19% are moderate-income families. The bank's extension of home improvement loans to low-income borrowers is below the 1990 census demographics, but 10% of the households in the AA are living below the poverty level. Lending to moderate-income families exceeded the relative opportunity represented by the 1990 census data. However, since the bank makes so few of this type of loan, very little weight was given to the bank's performance in this area.

Home Mortgage Refinance Loans

The distribution of lending to borrowers of different income levels for home mortgage refinance loans shows an adequate level of performance. NBI originated 5 or 2% of its home mortgage refinance loans

to low-income borrowers and 2 or 1% of its home mortgage refinance loans to moderate-income borrowers during this evaluation period. The census data from 1990 shows that 20% of families in the bank's AA are low-income families and 19% are moderate-income families. Also, 10% of the households in the assessment area live below the poverty level. The bank's distribution of home mortgage refinance loans to low- and moderate-income borrowers is significantly below the 1990 census demographics.

Aggregate 1997 HMDA data shows 204 lenders reported 4,163 loans to low-income borrowers. NBI ranks 122nd with 0.07% market share. Two hundred forty-five (245) lenders reported extending 5,664 home mortgage refinance loans to moderate-income borrowers in the AA. NBI ranks 185th at 0.04% market share. The performance to low- and moderate-income borrowers falls below the share to middle- (0.14%) and upper-income (0.98%) borrowers. Although the level of lending to low- and moderate-income borrowers is below the demographics, it is considered adequate based on NBI's prior lending patterns. Prior to October 1997, NBI had made very few loans to low- or moderate-income borrowers. Therefore, the bank would have limited ability to refinance loans to individuals in these income levels.

Table 1 - Distribution by Borrower's Income Level Inside the Assessment Area From January 1997 through August 1999								
Type of Loan	Income Level of Borrower							
	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	55	20%	69	25%	21	8%	128	47%
Home Improvement	0	0%	4	57%	0	0%	3	43%
Refinance	5	2%	2	1%	21	8%	229	89%
Total HMDA Loans	60	11%	75	14%	42	8%	360	67%

Source: NBI's HMDA-LAR for YTD 1999, 1998, and 1997.

Small Business Loans

NBI's lending levels for small business loans reflect good responsiveness to community credit needs. Thirty-nine percent (39%) of the small business loans reported were made to companies with annual revenues less than \$1 million. This performance is lower than the overall market in which 116 lenders reported 48.83% of its small business loans to businesses with revenues less than \$1 million. The bank's performance also falls below the opportunities represented by the percent of the businesses in the assessment area that have revenues less than \$1 million (64%). There is no market share information available for small business lending by NBI since it remains a small bank for CRA evaluation

purposes.

NBI's small business distribution shows a large amount of these loans are for small dollar amounts. Sixty percent (60%) of the reported small business loans were for original amounts of \$100,000 or less. An additional 19% of NBI's small business loans were for original amounts between \$100,000 and \$250,000. The remaining 21% of all small business loans were originated for amounts between \$250,000 and \$1,000,000. Table 2 illustrates the distribution of loans by original loan amount and to businesses with revenues less than \$1 million.

Table 2 - Distribution of Small Business Originations From January 1996 through June 1999 Inside the Assessment Area By Loan Size and Business Revenues						
Loan Size					Annual Revenues	
	less than \$100,000	\$100,000 to \$250,000	\$250,000 to \$1,000,000	Total Loans	< \$1 Million	> \$1 Million
Number	341	108	118	567	221	346
% of #	60%	19%	21%	100%	39%	61%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:				Revenues <\$1 Million		64%
				Revenues > \$1 Million		12%
				Revenues Unknown		23%

Source: Bank Loan Reports sorted by geographic location, business revenue, and loan size.

Geographic Distribution of Loans

The geographic distribution of NBI's loans reflects an adequate distribution of loans in low- and moderate-income census tracts inside the AA. Refer to Table 3 for data used to evaluate the bank's geographic distribution within the AA.

Home Purchase Loans

The bank's geographic distribution of home purchase loans reflects adequate performance in lending in low- and moderate-income census tracts within the AA. During this evaluation period, NBI extended 14 or 5% of its home purchase loans in the low-income census tracts and 45 or 16% of its home purchase loans in moderate-income census tracts. The bank's distribution

of home purchase loans in low-income census tracts meets the distribution of owner-occupied units (5%). In moderate-income census tracts, NBI's performance falls below the percentage of owner-occupied units (22%) in these census tracts.

Based on 1997 aggregate HMDA data, 131 lenders reported extending 663 home purchase loans in low-income census tracts within the bank's AA. NBI ranks 59th with 0.45% market share in home purchase loans in low-income census tracts. This data also shows that 204 lenders reported extending 3,331 home purchase loans in moderate-income census tracts. NBI ranks 46th with 0.51% market share in home purchase loans in moderate-income census tracts during 1997. NBI's market share for home purchase loans in both low- and moderate-income census tracts is very similar to market share in middle- (0.43%) and upper-income (0.54%) census tracts. Although the bank's distribution of home purchase loans in moderate-income census tracts is below the distribution of owner-occupied units based on 1990 census data, it is considered adequate.

Home Improvement Loans

The bank's geographic distribution of home improvement loans reflects adequate performance in lending in low- and moderate-income census tracts within the AA. During this evaluation period, NBI extended 1 or 14% of its home improvement loans in the low-income census tracts and 3 or 43% of its home improvement loans in moderate-income census tracts. The bank's distribution of home improvement loans in low- and moderate-income census tracts exceeds the percentage of owner-occupied units in low- (5%) and moderate-income (22%) census tracts. However, since the bank makes so few of this type of loan, very little weight was given to the bank's performance in this area.

Home Mortgage Refinance Loans

The bank's geographic distribution of home mortgage refinance loans reflects adequate performance in lending in low- and moderate-income census tracts within the AA. During this evaluation period, NBI extended only 4 (2%) home mortgage refinance loans in the low-income census tracts. The bank extended 6 or 2% of its home mortgage refinance loans in moderate-income census tracts. The bank's distribution of home mortgage refinance loans in low- and moderate-income census tracts falls below the percentage of owner-occupied units in low- (5%) and moderate-income (22%) census tracts.

Based on 1997 aggregate HMDA data, 172 lenders reported extending 1,681 home mortgage refinance loans in low-income census tracts within the bank's AA. NBI ranks 135th with 0.06% market share in home mortgage refinance loans in low-income census tracts. This data shows that 260 lenders reported extending 5,894 home mortgage refinance loans in moderate-income census tracts. NBI ranks 144th with 0.08% market share in home mortgage refinance loans in moderate-income census tracts. The market share in low- and moderate-income census tracts falls below the market share in middle- (0.14%) and upper-income (0.60%) census tracts. Although the bank's distribution of home purchase loans is below the distribution of owner-

occupied units based on 1990 census data, it is considered adequate based on NBI's prior lending patterns. Prior to October 1997, NBI had made very few loans in low- or moderate-income census tracts. Therefore, the bank would have limited ability to refinance loans in these areas.

Small Business Loans

NBI's geographic distribution of small business loans reflects an adequate distribution of lending to businesses in low- and moderate-income census tracts. The bank made 61 (11%) small business loans in the low-income geographies even though only 10% of the businesses in the assessment area are located in the low-income census tracts. The bank did not perform quite as well in regard to the moderate-income geographies. According to the business demographic data for the assessment area, 19% of the businesses are located in moderate-income census tracts. However, the bank made only 6% or 35 of its small business loans in this area. NBI's distribution of loans to businesses located in low-income geographies slightly exceeds the relative opportunity; however, performance in the moderate-income census tracts falls significantly short of the relative opportunity based on the number of businesses located in these geographies. There is no market share information available for small business lending by NBI since it remains a small bank for CRA evaluation purposes.

Table 3 - Geographic Distribution of Loans by Census Tract Income Level Inside the Assessment Area From January 1997 through June 1999								
Type of Loan	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	14	5%	45	16%	63	23%	153	56%
Home Improvement	1	14%	3	43%	2	29%	1	14%
Refinance	4	2%	6	2%	26	10%	222	86%
Total HMDA Loans	19	4%	54	10%	91	17%	376	69%
Small Business	61	11%	35	6%	191	34%	280	49%
Total Loans	80	8%	89	8%	275	27%	575	57%

Source: Bank reports and HMDA-LAR for YTD 1999, 1998, and 1997.

Note: Percentages may not equal 100% since the income level of the census tract is unavailable for some loans.

Lending Inside the Assessment Area

The bank's level of lending inside the assessment area is good. Over 91% of the home mortgage and small business loans originated inside the assessment area. The following data shows the

level of lending within the AA during this evaluation period. It is a clear indication of the bank's efforts to meet the credit needs of its community.

Home Purchase: NBI originated or purchased 296 home purchase loans. Two hundred and seventy-five (275) or 93% of these loans were made within the bank's AA.

Home Improvement: NBI originated or purchased 7 home improvement loans. All or 100% of these loans were made within the bank's AA.

Refinance: NBI originated or purchased 292 refinance loans. Two hundred and fifty-eight (258) or 88% of these loans were made within the AA.

Small Business: NBI originated 623 small business loans. Five hundred and sixty-seven (567) or 91% of these loans were made within the AA.

Table 4 - Loans Inside the Assessment Area vs. Total Loans From January 1997 through June 1999						
Type of Loan	Total Loans		Loans Inside Assessment Area			
	#	\$ (000's)	#	% of #	\$ (000's)	% of \$
Home Purchase	296	45,629	275	93%	42,264	93%
Home Improvement	7	254	7	100%	254	100%
Refinance	292	72,648	258	88%	66,154	91%
Total HMDA Loans	595	118,531	540	91%	108,672	92%
Small Business	623	105,271	567	91%	95,539	91%
Total Loans	1,218	223,802	1,107	91%	204,211	91%

Source: Bank reports and HMDA-LAR for YTD 1999, 1998, and 1997.

Loan to Deposit Ratio

NBI's loan-to-deposit ratio is reasonable considering the size and condition of the institution and the credit needs of the community. The average loan-to-deposit ratio for the last 8 quarters (since our last CRA evaluation) is 75%. The loan-to-deposit ratio has increased from 73% on September 30, 1997, to over 81% on June 30, 1999. However, NBI's ratio is not fully representative of its overall lending efforts due to the fact they periodically sell home mortgages in the secondary market. These loans are not reflected in this ratio.

When compared to other financial institutions in its assessment area, NBI's loan-to-deposit ratio is reasonable. The 8-quarter average loan-to-deposit ratios for the financial institutions with total assets between \$100 and \$700 million in Marion, Hamilton, and Boone Counties ranged from 66% to 91%. Of the other 4 institutions, only 1 had an 8-quarter average loan-to-deposit ratio below NBI's ratio of 75%. The other 3 institutions had 12-quarter average loan-to-deposit ratios of 79% or higher.

Response to Complaints

The National Bank of Indianapolis has not received any CRA-related complaints since our last CRA evaluation.

Compliance with Anti-discrimination Laws

During our review, we sampled home purchase loans made within the last 12 months. Since there were very few denials, the rates and other credit terms were reviewed. We tested applicants' treatment based on gender. We compared 20 individual female applicants to 20 individual male applicants during the period from October 1998 through September 1999. We compared the female borrowers qualifications with the male borrowers. We did not find any evidence of disparate treatment based on gender.