



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 1, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Indiana, National Association
Charter Number 5997

129 Maple Street
Dana, Indiana 47847

Office of the Comptroller of the Currency

Indianapolis Field Office
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Indianapolis, IN 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.

- A majority of the bank's primary loan products were made within Bank of Indiana's assessment areas (AAs) at origination.
- The geographic distribution among various income tracts reflects excellent dispersion; however, the borrower distribution reflects poor distribution to small businesses.
- BOI's net loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, assessment area credit needs, and dollar volume of loans sold.

SCOPE OF EXAMINATION

The Bank of Indiana, N.A. (BOI) was evaluated under the Small Bank examination procedures, which evaluates the bank's record of meeting the credit needs of its AAs through lending activities. The evaluation period for this review is from May 8, 2006 to November 1, 2011. Based on both the number and dollar volume of loan origination data supplied by the bank, BOI's primary lending products are business loans. Due to the change in primary products since the previous evaluation (residential real estate and agricultural loans), we sampled business loans from the entire evaluation period.

BOI currently has three AAs; Terre Haute MSA (Metropolitan Statistical Area), portions of the Indianapolis MSA and Starke County. A Lafayette, Indiana branch opened in September, 2006 and closed in February, 2011. The branch, located in Tippecanoe County was part of the Lafayette MSA #29140; we will include this former AA in the evaluation since the location was operating during the majority of the review period. The Terre Haute MSA and Indianapolis MSA AAs were reviewed as full-scope, as a majority of deposits and loans are from the branches located in these AAs. Starke County and Lafayette MSA AAs were evaluated as limited-scope.

DESCRIPTION OF INSTITUTION

BOI is a \$113 million intrastate institution headquartered in Dana, Indiana. Dana is a rural town located approximately 85 miles west of Indianapolis, Indiana and 35 miles north of Terre Haute, Indiana. BOI is owned by Indiana Bancorp, Inc, a one-bank holding company that purchased the bank just prior to the 2006 CRA examination.

In addition to the main office, BOI operates out of three branches located in Bargersville, Hamlet, and North Judson, Indiana. Each branch maintains similar hours and onsite ATMs. The Hamlet and North Judson branches were both acquired in August, 2007 and the Bargersville branch opened in March, 2009. Additionally, a branch located in Lafayette, Indiana and downtown, Indianapolis were opened and closed during the review period. The Lafayette branch was in a moderate-income geography and the Indianapolis branch in a middle-income geography.

Current ownership shifted the bank’s strategy from home loans to business loans. BOI currently offers commercial, farm, and consumer loans. In particular, the bank focuses on originating SBA guaranteed loans, many of which it sells. The bank ceased originating home loans in April, 2010.

As of June 30, 2011, net loans were \$61 million, or 54 percent of total assets, while Tier 1 Capital was \$10 million. The following represents the bank’s loan and lease portfolio mix as of June 30, 2011.

Loan Portfolio Summary by Loan Product	
Loan Category	% of Outstanding Dollars
Business Loans	76.23%
Home Loans	10.52%
Farm Loans	12.34%
Consumer Loans	.91%

Source: June 30, 2011 CALL Report data

BOI was rated Satisfactory at the May 8, 2006 CRA examination. During this evaluation period, BOI was put under a Formal Agreement relating to safety and soundness concerns. The terms of the formal agreement call for strengthening of credit administration concerning problem assets and maintenance of minimum capital ratios; however, this does not significantly impact the bank’s ability to meet identified needs of the community. In 2011, the Indiana Board of Depositories rules changed and require the bank to provide additional collateral to secure non-insured public fund deposits due to the current financial condition. A majority of the acceptable collateral is found in the investment portfolio. This will likely affect the bank’s loan-to-deposit ratio.

DESCRIPTION OF ASSESSMENT AREA(S)

BOI currently has three assessment areas in Indiana; the Terre Haute MSA, portions of the Indianapolis MSA, and Starke County. Additionally, during the review period, the bank had a fourth AA of Tippecanoe County within the Lafayette MSA. A description of each full-scope AA is detailed below:

Terre Haute MSA AA

The Terre Haute MSA (#45460) is located in Western Indiana and includes all of Vermillion, Vigo, Sullivan, and Clay Counties. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. The table below illustrates the composition of businesses within the AA. Nearly 66 percent of businesses in the AA are small businesses. A small business is defined as annual gross revenues of \$1 million or less. The area consists of 46 census tracts and just over 13,000 businesses. Revenue data was unavailable for 31 percent of the businesses.

Non-Farm Business Demographic Information for Terre Haute MSA								
					Revenues <= \$1 Million		Revenues > \$1 Million	
	Census Tracts		Total Businesses		Total Businesses		Total Businesses	
	#	%	#	%	#	%	#	%
Low Income	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Moderate Income	11	23.91%	1,894	14.50%	1,240	14.47%	107	26.04%
Middle Income	26	56.52%	8,157	62.45%	5,265	61.43%	228	55.47%
Upper Income	8	17.39%	2,915	22.31%	2,017	23.53%	69	16.79%
N/A	1	2.18%	97	0.74%	49	0.57%	7	1.70%
Total	46	100.00%	13,063	100.00%	8,571*	100.00%	411*	100.00%

Source: 2000 U.S. Census Data / 2010 Business Geodemographic Data

* Revenue data unavailable for 4,081 businesses

The local economy continues to struggle as the September 2011 unemployment rate (9.7 percent) exceeds the 8.5 percent state and 8.8 percent national ratios. The area's largest employers are located in Terre Haute and include Union Hospital, Vigo County School Corp, Indiana State University, Sony DADC, and Terre Haute Regional Hospital.

Overall competition from other financial institutions is average in the Terre Haute MSA. Besides BOI, there are ten other financial institutions with a total of 63 branches. Competitors include both local community banks and branches from large, regional institutions. As of June 30, 2011, BOI ranks eighth in deposit share (1.95 percent) among the 11 branches.

While assessing the bank's performance, we contacted a local community development group. Though the unemployment rate is relatively high, the group's spokesperson believes the overall economy to be improving and cited expansion of various manufacturers. They also indicated there are sufficient opportunities for local banks to lend within the area and that community needs are being met. Local banks are well connected to the community and public perception is generally positive.

Indianapolis MSA AA

This AA includes four counties within the Indianapolis MSA (#26900). These four counties are Hendricks, Marion, Morgan, and Johnson. It is appropriate that the AA does not include the entire MSA, as the bank currently has only one branch located in Johnson County. The AA is large for a bank of this size, with only one location. It meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The table below contains information on businesses within the AA. Nearly 65 percent of the businesses in the assessment area are small businesses; 32 percent of businesses do not report revenue. Very few businesses are located within low-income tracts, while 18 percent are located within moderate-income tracts.

Non-Farm Business Demographic Information for Indianapolis MSA								
					Revenues <= \$1 Million		Revenues > \$1 Million	
	Census Tracts		Total Businesses		Total Businesses		Total Businesses	
	#	%	#	%	#	%	#	%
Low Income	26	10.23%	3,981	3.37%	2,611	3.41%	223	5.69%
Moderate Income	80	31.50%	21,572	18.24%	13,561	17.72%	823	21.01%
Middle Income	107	42.13%	65,457	55.36%	42,229	55.18%	2,087	53.27%
Upper Income	40	15.75%	27,133	22.95%	18,085	23.63%	777	19.83%
N/A	1	0.39%	98	0.08%	49	0.06%	8	0.20%
Total	254	100.00%	118,241	100.00%	76,535	100.00%	3,918*	100.00%

Source: 2000 U.S. Census Data / 2010 Business Geodemographic Data

* Revenue data unavailable for 37,788 businesses

Local economy trends are similar to national trends. The September 2011 unemployment rate for the AA (8.5 percent) is equivalent to the State of Indiana, and slightly better than national ratio of 8.8 percent. The two largest companies headquartered in Indianapolis are both health care related: Wellpoint and Eli Lilly and Company, Inc.

There are 34 financial institutions with a presence within the AA. These institutions have a large range of total assets ranging from \$56 million to \$743 billion. BOI's deposit share makes up only 0.12 percent of the deposits within the AA.

Contacts with local organizations over the past three years indicate typical credit needs. These include loans to small businesses and affordable housing loans. One contact spoke specifically about a commercial revitalization project within Marion County in the Michigan Road corridor.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

BOI's performance in meeting the community credit needs is satisfactory. This review concentrated on the bank's primary loan product; business loans. BOI had a reasonable loan-to-deposit ratio and a majority of the loans made were within the AAs at origination. The geographic distribution of loans is excellent.

Primarily due to the lack of lending in Starke County, the bank's overall penetration to businesses of different sizes is poor. Borrower distribution in the Terre Haute and Lafayette AAs is reasonable. While the poor borrower distribution was considered in the bank's final rating, we determined the performance in other criteria sufficient to justify the Satisfactory rating.

Loan-to-Deposit Ratio

Bank of Indiana's net loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, assessment areas' credit needs, local competition, and dollar volume of loans sold. The LTD ratio averaged 77 percent over 21 quarters since the last CRA examination. The ratio reached a high of 90 percent and is currently at a quarterly low of 60 percent.

The bank's net LTD ratio is less than favorable when compared to the other seven financial institutions with total assets between \$50 million and \$250 million and a branch located within the AAs. The average quarterly net loan-to-deposit ratio for these similarly situated banks was 95 percent over the same time period. All of the banks reviewed have ratios well below the highs recorded in 2007 and 2008.

BOI's ratio is reasonable considering the bank sold off guaranteed portions of many SBA loans. Per bank records, the outstanding balance of these loans sold totals \$33.3 million. If the bank had maintained these loans, the current net loan-to-deposit ratio would be nearly 90 percent.

Lending in Assessment Area

A majority or 75 percent of BOI's primary loan product was made within the bank's assessment areas at origination. Again, this analysis includes the former AA of Tippecanoe County within the Lafayette MSA. The following table represents our random sample of the bank's business loan lending within the assessment areas by number and dollar volume.

Lending in the AA										
Type of Loans	Number of Loans					Dollar of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	15	75.00%	5	25.00%	20	\$23,018	76.31%	\$7,147	23.69%	\$30,165

Source: Examiners reviewed a random, 20-loan sample of business loans originated from 5/8/2006 - 11/1/2011

Lending to Businesses of Different Sizes

Overall, the distribution of loans reflects a poor penetration among businesses of different sizes. The performance in the Terre Haute MSA received slightly more weight when determining appropriateness of penetration as nearly half (49.3 percent) of all deposits come from the AA. Since 2009, similar numbers of loans have been originated out of each of the full-scope AAs. Though the full-scope evaluations are the most meaningful, the limited-scope, Starke County review noted very poor penetration which brought the overall rating down to Poor.

Performance in the Full-Scope Terre Haute MSA AA

The borrower distribution of loans in the Terre Haute MSA AA is reasonable. Fifty-five percent of the bank’s business loans originated during the review period were made to small businesses. Though reasonable, the figure is less favorable when compared to the AA demographics which shows over 65 percent of businesses are small with gross revenues of \$1 million or less. The following table shows the distribution of commercial loans among different-sized businesses in the AA.

Borrower Distribution to Businesses in Terre Haute MSA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	65.61%	3.15%	31.24%	100.00%
% of Bank Loans in AA by #	55.00%	45.00%	0.00%	100.00%
% of Bank Loans in AA by \$	20.60%	79.40%	0.00%	100.00%

Source: Sample of 20 loans within the AA originated from 5/8/06 – 11/01/2011 & 2010 Business Geodemographic Data

Performance in the Full-Scope Indianapolis MSA AA

The borrower distribution of loans in the Indianapolis MSA AA is poor. Only 38 percent of business loans sampled were made to small businesses (\$1 million or less in annual gross revenue). This penetration is poor considering 65 percent of all businesses in the AA are small as shown in the table below:

Borrower Distribution to Businesses in Indianapolis MSA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	64.73%	3.31%	31.96%	100.00%
% of Bank Loans in AA by #	37.50%	62.50%	0.00%	100.00%
% of Bank Loans in AA by \$	29.06%	70.94%	0.00%	100.00%

Source: Sample of 24 loans originated from 5/8/06 – 11/1/2011 & 2010 Business Geodemographic Data

Performance in the (former) Limited-Scope Lafayette MSA AA

The performance within this AA is not inconsistent with the finding within the full-scope AAs. The borrower distribution of loans in the former Lafayette MSA AA is reasonable. Just over 70 percent of the bank’s business loans originated during the review period were made to small businesses. This figure is more favorable when compared to AA demographics which show 64 percent of businesses are small with gross revenues of \$1 million or less.

The following table shows the distribution of commercial loans among different-sized businesses in the AA.

Borrower Distribution to Businesses in (former) Lafayette MSA AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	64.32%	2.90%	32.78%	100.00%
% of Bank Loans in AA by #	70.37%	29.63%	0.00%	100.00%
% of Bank Loans in AA by \$	45.79%	54.21%	0.00%	100.00%

Source: Sample of 27 loans originated from 5/8/06 –11/1/2011 & 2010 Business Geodemographic Data

Performance in the Limited-Scope Starke County AA

The performance within this AA is weaker than the performance within the full-scope AAs. The borrower distribution in the Starke County AA is very poor. A sample could not be performed as the bank has not made any business loans in this area since acquiring two branches in August, 2007. In fact, only ten loans have been made within the AA. Two were to local governments, two were home loans; and six were consumer loans. There are a total of 1,767 businesses located within the AA and 74 percent are small businesses.

Geographic Distribution of Loans

The distribution of loans reflects excellent dispersion among different income tracts throughout the bank’s AAs. No significant conspicuous gaps were identified within the full-scope AAs. The Indianapolis AA received slightly more weight, as the AA’s demographics are also less homogeneous; ten percent of geographies are low-income and 32 percent are moderate-income. The Terre Haute MSA does not have any low-income geographies and moderate-income geographies only make up 23 percent of the AAs geographies. As mentioned earlier, the branches in the full scope AAs have been originating about the same amount of business loans since the beginning of 2009 (44 percent originated from locations in Terre Haute MSA AA and 41 percent from locations in Indianapolis MSA AA).

Starke County was not included in the geographic distribution, as all geographies are middle-income. A geographic analysis is not meaningful for this AA.

Performance in the Terre Haute MSA AA

The bank’s geographic distribution of business loans in the Terre Haute MSA AA is reasonable. This AA does not have a low-income census tract; we focused on performance in the 11 moderate-income census tracts. BOI made 11 percent of the loans sampled to businesses located in moderate-income tracts; this is in line with AA demographics.

The following table shows the distribution of commercial loans among businesses in each census tract income level, based on our sample.

Geographic Distribution of Commercial Loans in Terre Haute MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0.00%	0.00%	13.86%	10.53%	63.83%	73.68%	22.31%	15.79%

Source: Sample of 20 loans originated from 5/8/06 – 11/1/2011 & 2010 Business Geodemographic Data

Performance in the Indianapolis MSA AA

The bank’s geographic distribution of business loans in the Indianapolis MSA AA is excellent. Demographic data for the AA show 26 low-income and 80 moderate-income census tracts. The distribution of loans within the moderate-income census tracts is excellent. We noted 26 percent of loans reviewed were to businesses located within these geographies. This is favorable compared to the demographic information. While our sample did not capture any loans originated within the low-income tracts, there is limited opportunity to lend to businesses located within low-income geographies. Only three percent of the AA’s businesses are located within these geographies.

The following table shows the distribution of commercial loans among businesses in each census tract income level, based on our sample.

Geographic Distribution of Commercial Loans in the Indianapolis MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	3.37%	0.00%	18.24%	26.09%	55.36%	39.13%	22.95%	34.78%

Source: Sample of 24 loans originated from 5/8/06 – 11/1/2011 & 2010 Business Geodemographic Data

Limited Scope - Performance in the (former) Limited-Scope Lafayette MSA AA

The performance within this AA is not inconsistent with the full-scope conclusions. The bank’s geographic distribution of business loans in the former Lafayette MSA AA is excellent. Tippecanoe County is comprised of 37 census tracts, including four low-income and six moderate-income geographies. The dispersion within moderate-income tracts was excellent. BOI originated 52 percent of the loans to this AA to businesses located in moderate-income tracts. This is significantly higher than demographic data. BOI did not originate any business loans in the four low-income areas; however, opportunities were limited. Only four percent of area businesses are located within low-income geographies.

The following table shows the distribution of commercial loans among businesses in each census tract income level, based on our sample.

Geographic Distribution of Commercial Loans In (former) Lafayette MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	4.48%	0.00%	25.10%	51.85%	38.59%	29.63%	31.83%	18.52%

Source: Sample of 27 loans originated from 5/8/06 –11/1/2011 & 2010 Business Geodemographic Data

Responses to Complaints

BOI 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.