



# Indiana Business Bancorp<sup>SM</sup>

**FOR IMMEDIATE RELEASE**  
**May 24, 2010**

**INDIANA BUSINESS BANCORP REPORTS**  
**FIRST QUARTER RESULTS**

**Indianapolis, IN, May 24, 2010** – Indiana Business Bancorp (OTCBB: IBBI.OB), the holding company for Indiana Business Bank, announced results for the three months ended March 31, 2010.

The net loss for the quarter was (\$519,043). This compares to a profit of \$32,252 for the first quarter of last year. This loss is attributed to increased and accelerated provision expense and other credit costs.

Net interest income for the first quarter of 2010 was 1% lower than the same quarter of 2009. The \$7,667 reduction to \$732,883 reflects a smaller loan portfolio as total loans outstanding at March 31, 2010 were almost \$6,000,000 lower than at March 31, 2009. The shrinkage of the portfolio is a result of a number of actions, including management's decisions to exit relationships with an unsatisfactory risk profile or yield. Additionally, a partner bank elected to repurchase a group of participations that we had previously purchased.

Non-interest income was \$30,018 during the quarter ended March 31, 2010, compared to the first quarter 2009 level of \$35,735. This decline is primarily the result of an accounting standard change that became effective January 1, 2010. In previous periods, income from gains on loans sold was recognized at the time of the sale and physical receipt of the premium income. Under the new guidance recognition of such gains must be deferred for ninety days following completion of the sale. Absent the accounting change, reported non-interest income would have substantially exceeded first quarter 2009 results.

Non-interest expense (generally salaries and other operating expenses) was down slightly compared to the first quarter of 2009. Non-interest expense was \$721,944 at March 31, 2010 compared to \$724,033 at March 31, 2009. Salaries and benefit

expense declined almost 10% from \$375,299 for the first quarter 2009 to \$339,670 for the same quarter of 2010.

Non-interest expense was negatively impacted in the first quarter of 2010 due to approximately \$60,000 in expenses associated with management of a problem commercial real estate property currently in receivership.

On a per share basis the loss for the first quarter of 2010 was (\$0.35) compared with a \$0.02 profit for the first quarter of 2009.

Although the bank's dominant asset category, loans, has decreased, total assets have moderately increased from \$91,218,136 at March 31, 2009 to \$91,400,789 at March 31, 2010. The cash generated from loan payoffs has been invested in lower yielding but very liquid interest-bearing deposits.

Deposits increased almost 3% from \$72,686,597 at March 31, 2009 to \$74,558,378 at March 31, 2010.

The allowance for loan losses was \$1,537,766 at March 31, 2010, which represents 2.1% of total loans. This ratio compares favorably with peers. The bank's capital ratios exceeded regulatory guidelines for "well-capitalized institutions" at March 31, 2010.

President and CEO James S. Young stated, "As a result of the meltdown in real estate values over the past 18 months, our level of non-performing assets are at an unacceptable level. The credit costs associated with these assets are a significant drag on our operations. Our review of these relationships brought to light that none were originated since 2007 and the majority of the real estate transactions were underwritten at loan to value ratios of 50 – 65% of the original appraisals, not the industry standard of 75 – 80%. This has given us some comfort that our underwriting standards are sound and the resolution of our real estate assets will not result in significant losses. Problem asset management is Job One for the balance of 2010." Mr. Young also stated, "We will continue our very successful 2009 strategy of adding new relationships which involve commercial loans guaranteed by the U.S. Small Business Administration and selling these assets to generate significant non-interest income."

### **About Indiana Business Bancorp and Indiana Business Bank**

Indiana Business Bancorp is a bank holding company whose operations are conducted through its subsidiary, Indiana Business Bank, a state-chartered, locally-owned and managed commercial bank formed for the purpose of providing highly-personalized banking services for small to medium-sized businesses, their owners and professional services firms in the Indianapolis, Indiana metropolitan area. The bank provides a full line of commercial banking loan, deposit, and cash management services that are delivered in a highly personalized manner by experienced banking professionals. The bank specializes in serving the

commercial and consumer banking needs of small to medium sized businesses and their owners, and professionals located primarily throughout Central Indiana.

*"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this press release regarding Indiana Business Bank and Indiana Business Bancorp's business which are not historical facts are "forward-looking statements" that involve risks and uncertainties which may cause actual results to differ materially from expected results, including: changes in general, regional and local economic conditions, and their effect on interest rates; the impact of the downturn in housing and the adverse conditions in the credit markets; competition among banks and other financial intermediaries within the Indianapolis metropolitan market; risks that borrowers may default on their loans; and changes in regulations and accounting policies affecting financial institutions.*

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**UNAUDITED**

	<b>As of and for the Three Months Ending March 31, 2010</b>	
<b>Operating Data</b>	<b>2010</b>	<b>2009</b>
Net Interest Income	732,883	740,550
Provision for Loan Losses	560,000	20,000
Noninterest Income	30,018	35,735
Noninterest Expense	721,944	724,033
Net Income (Loss)	(519,043)	32,252
<b>Per Share Data</b>		
Net Earnings (Loss) – Basic	(\$.35)	\$.02
Weighted Average Shares Outstanding	1,494,325	1,484,100

	<b>As of</b>		
<b>Balance Sheet Data</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>March 31, 2009</b>
Total Assets	91,400,789	88,341,401	91,218,136
Total Loans	72,206,175	70,314,937	78,452,341
Allowance for Loan Losses	1,537,766	1,130,698	1,365,150
Investment Securities	5,531,658	6,535,600	6,588,400
Total Deposits	74,558,378	72,385,956	72,686,597
Total Shareholders' Equity	9,262,121	9,774,803	9,850,813

