



FIRST INTERNET BANCORP ANNOUNCES STRONG YEAR-OVER-YEAR ASSET, LOAN, DEPOSIT GROWTH IN SECOND QUARTER, FIRST HALF 2011 RESULTS

INDIANAPOLIS, IN – August 1, 2011 - First Internet Bancorp (OTCBB:FIBP), parent company of First Internet Bank of Indiana (www.firstib.com), a premier provider of online retail and business banking services nationwide, today announced unaudited second quarter and first half 2011 results.

Following a record year in 2010 for earnings, net interest income and non-interest income, First Internet reported second quarter 2011 net income of \$828,071, or \$0.43 per diluted share, compared with \$944,750 or \$0.50 per diluted share in second quarter 2010. First half 2011 net income was \$1.4 million or \$0.71 per diluted share compared with first half 2010 net income of \$3.2 million or \$1.71 per diluted share. Net income in first half 2010 included \$2.4 million of pre-tax income from a one-time reversal of a loan loss provision when a commercial credit was re-collateralized.

For the quarter ended June 30, 2011, net interest income was \$3.5 million compared with \$3.7 million for the prior year's second quarter and \$3.4 million in first quarter 2011. Non-interest income in second quarter 2011 was \$600,543 compared with \$738,674 million in second quarter 2010 and \$320,018 in first quarter 2011. Non-interest income is expected to rise in the third quarter 2011, reflecting an increase in the sale of mortgages originated and sold in the secondary market.

Net interest income for the six months ended June 30, 2011 was \$6.9 million compared with \$7.4 million in first half 2010. Non-interest income for the six months ended June 30, 2011 was \$920,561 compared with \$1.0 million for the six months of 2010.

First Half 2011 Highlights and Strategic Positioning

David Becker, chairman and CEO, commented: "We are focused on revenue growth and improving profitability across the bank and in all areas of operations. First Internet has a strong capital position and a growing deposit base to support lending. This deposit growth has enabled us to replace substantial amounts of brokered and wholesale deposits with lower-cost core deposits since second quarter 2010. We believe growing our overall deposits while reducing our use of wholesale funding is a powerful indication of our banking model.

"We have ramped up our Internet-based marketing and are heavily promoting our fast and efficient online approval and underwriting process for mortgage loans, and expert personal and online support from our seasoned residential lending team. Our service contrasts with the confusion and hassle borrowers are experiencing with many mega banks and non-bank mortgage originators.

"We offer the convenience of total Internet access and flexibility, and don't need to make our target margins by bulking up fees and including hidden costs that are not hidden to the type of well-educated customers we attract. As large banks keep tacking on fees to make income targets, we believe we'll attract customers seeking an alternative to these practices."

To support its lending, at June 30, 2011, total deposits increased to \$443.6 million, up 11% compared with \$400.2 million at the end of first half 2010. First Internet's average personal money market account has a balance of more than \$50,000, while average checking accounts, including non-interest bearing DDAs, average more than \$8,000 each. Becker noted this reflects First Internet's position as the bank of choice for savvy Americans looking for exceptional banking services that are truly both high tech and high touch.

In addition to launching an aggressive nationwide marketing campaign to win new mortgage customers, the company has focused on underserved markets like recreational vehicle buyers and commercial real estate (CRE) borrowers. First Internet has a nationwide network for making loans to owners of specialty vehicles such as horse trailers and recreational vehicles. Becker said this opportunistic approach targets an affluent, mobile customer base in a sector with relatively few competitors.

FIBP has also invested in building a highly experienced team of commercial real estate lenders to serve high quality borrowers in Indiana and the adjoining states. Becker explained while many banks have been negatively impacted by large concentrations of troubled loans, First Internet has always been a conservative lender and is now able to focus on underserved lending segments featuring high quality borrowers.

Financial Highlights

Net interest margin was 2.80% at June 30, 2011, compared with 3.17% in second quarter 2010, partially impacted by an increase in non-accrual loans and overall margin compression. Management noted that the bank is able to operate profitably with lower interest margins because the efficient Internet model reduces operating expenses.

First Internet's asset quality is better than most of its community bank peers. Non-performing loans as a percentage of total loans was 2.09% at June 30, 2011, 2.78% at December 31, 2010, and 2.87% at June 30, 2010. The Loan Loss Reserve as a percentage of non-accrual loans was 80.88% at June 30, 2011. Net assets increased to \$538.5 million in second quarter 2011 compared with \$483.1 in second quarter 2010.

Net loans, including provision for loan losses, were \$353.1 million at June 30, 2011, an increase of 17% compared with \$301.2 million a year earlier. The company's provision for loan losses was \$335,787 in second quarter 2011, down from \$773,861 reported in second quarter 2010.

Non-interest expense, comprised primarily of compensation, data processing costs, marketing, occupancy and other operating expenses, was \$2.7 million for the quarter ended June 30, 2011 compared with \$2.4 million for the quarter ended June 30, 2010. In first half 2011, non-interest expense was \$5.4 million compared with \$4.9 million in first half 2010.

Becker explained expenses are stabilizing after a period of investment in people and technology to accommodate growth and provide superior service. During the past year, the company built its commercial lending team, upgraded its website's user interface to improve user navigation, and enhanced back-office operational capabilities.

"We anticipate our investments will enable us to add up to 30% of additional mortgage business with minimal additional expense while maintaining the high service levels our customers expect," said Becker. "We also believe that our experienced commercial real estate lending team will be accretive to our earnings in 2012."

In addition, the company has increased its targeted Internet-based marketing expenditures in 2011 in areas like search engine marketing and keyword purchasing.

Capital and Asset Quality

First Internet Bancorp is well-capitalized under regulatory risk-based capital guidelines, with a Tier 1 Leverage ratio of 8.75% at the bank and 9.03% at the holding company at June 30, 2011. The company's cash and investment securities at June 30, 2011 were approximately \$158.6 million, compared with approximately \$155.7 million at June 30, 2010.

"The company's strong financial position enabled us during the past three years to make selective investments to expand our capacity and accommodate more business," explained Becker. "While we focused on addressing asset quality and controlling operating expenses, we also seized the opportunity to

enhance both our fee income and interest income-generating capabilities at a time when many banks were retrenching.

“We continue to prudently set aside loan loss reserves, and we have seen a significant slowing of troubled loans in our portfolio. With a focus on strong underwriting practices and diversifying our loan portfolio geographically and by type of loan, we believe First Internet is well-positioned to drive quality earnings and balance sheet growth.”

About First Internet Bancorp

First Internet Bancorp (OTC Bulletin Board: FIBP), the parent company of [First Internet Bank of Indiana](#), is privately capitalized with over 240 private and corporate investors. First Internet Bank opened for business in 1999. The Bancorp became effective March 21, 2006.

About First Internet Bank

With over \$500 million in assets, First Internet Bank of Indiana (First IB) is the first state-chartered, FDIC-insured institution to operate solely via the Internet and has customers in all 50 states. Deposit services include checking accounts, regular and money market savings accounts with industry-leading interest rates, CDs and IRAs. First IB also offers consumer loans, conforming mortgages, jumbo mortgages, home equity loans and lines of credit, and commercial loans. First IB is a wholly owned subsidiary of First Internet Bancorp.

Safe Harbor Statement

Statements in this press release which express "belief," "intention," "expectation," and similar expressions, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by, and information currently available to, such management. Such statements are inherently uncertain and there can be no assurance that the underlying assumptions will prove to be accurate. Actual results could differ materially from those contemplated by the forward-looking statements. Any forward-looking statements in this release are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

FINANCIAL TABLES FOLLOW

Consolidated Balance Sheet (\$000s) (Unaudited¹)

| | June 30 | |
|--------------------------------------|----------------|----------------|
| | 2010 | 2011 |
| Cash and due from banks | 834 | 623 |
| Interest-bearing deposits | 24,170 | 7,677 |
| Securities - AFS | 130,713 | 150,267 |
| Loans held for sale | 7,998 | 13,190 |
| Gross loans | 295,814 | 342,090 |
| Net deferred (fees)/expenses | 4,441 | 3,881 |
| Allowance for loan losses | <u>(7,102)</u> | <u>(6,080)</u> |
| Net loans | 293,153 | 339,891 |
| Accrued interest receivable | 2,119 | 2,187 |
| FHLB stock | 3,638 | 2,943 |
| Bank owned life insurance | 7,720 | 8,013 |
| Goodwill | 4,687 | 4,687 |
| Other real estate owned | 1,274 | 2,293 |
| Other assets | 6,840 | 6,714 |
| | | |
| Total assets | 483,146 | 538,485 |
| | | |
| Non-interest bearing demand deposits | 9,729 | 12,784 |
| Interest bearing demand deposits | 52,587 | 57,357 |
| Savings and money market deposits | 130,211 | 160,226 |
| Time deposits | <u>207,675</u> | <u>213,273</u> |
| Total deposits | 400,202 | 443,640 |
| FHLB advances | 32,393 | 40,514 |
| Accrued interest payable | 124 | 116 |
| Accrued payroll and related expenses | 848 | 954 |
| Other liabilities | <u>651</u> | <u>1,289</u> |
| Total liabilities | 434,218 | 486,513 |
| | | |
| Common stock | 41,216 | 41,276 |
| Accumulated earnings | 8,002 | 11,072 |
| Accumulated OCI | <u>(290)</u> | <u>(376)</u> |
| Shareholder's Equity | 48,928 | 51,972 |
| | | |
| Total Liabilities & Equity | 483,146 | 538,485 |

¹ Financial results for the Bancorp are audited by external accountants on an annual basis; however, external auditors are not engaged to review quarterly information.

Consolidated Income Statement (\$000s) (Unaudited¹)

| | Quarter Ended June 30 | |
|---|-----------------------|--------------|
| | 2010 | 2011 |
| Securities income | 1,346 | 1,334 |
| Loan income | 5,012 | 4,621 |
| Other interest income | 15 | 17 |
| Total interest income | <u>6,373</u> | <u>5,972</u> |
| Deposit interest expense | 2,317 | 2,139 |
| Other interest expense | 396 | 335 |
| Total interest expense | <u>2,713</u> | <u>2,474</u> |
| Net interest income | 3,660 | 3,498 |
| Provision for Loan Losses | 774 | 335 |
| Net interest income after provision | 2,886 | 3,163 |
| Service charges and fees | 330 | 298 |
| Gain on loans sold | 367 | 407 |
| Other-than-temporary impairment loss | -- | (150) |
| Loss on asset disposals | (35) | (30) |
| Other non-interest income | 77 | 76 |
| Total non-interest income | <u>739</u> | <u>601</u> |
| Salaries and employee benefits | 1,086 | 1,283 |
| Marketing, advertising and promotion | 26 | 190 |
| Consulting and professional fees | 189 | 170 |
| Data processing | 251 | 227 |
| Loan expenses | 118 | 135 |
| Premises and equipment | 312 | 274 |
| Deposit insurance premiums | 226 | 252 |
| Other non-interest expense | 199 | 184 |
| Total non-interest expense | <u>2,407</u> | <u>2,715</u> |
| Income before taxes | 1,218 | 1,049 |
| Tax expense | <u>273</u> | <u>221</u> |
| Net income | <u>945</u> | <u>828</u> |
| Income per share: | | |
| Basic and diluted | 0.50 | 0.43 |
| Weighted average of shares outstanding: | | |
| Basic and diluted | 1,897,772 | 1,905,595 |

Consolidated Income Statement (\$000s) (Unaudited¹)

| | Six Months Ended June 30 | |
|---|--------------------------|-----------|
| | 2010 | 2011 |
| Securities income | 2,754 | 2,649 |
| Loan income | 10,254 | 9,215 |
| Other interest income | 28 | 32 |
| Total interest income | 13,036 | 11,896 |
| | | |
| Deposit interest expense | 4,760 | 4,307 |
| Other interest expense | 878 | 670 |
| Total interest expense | 5,638 | 4,977 |
| | | |
| Net interest income | 7,398 | 6,919 |
| | | |
| Provision for Loan Losses | (997) | 859 |
| | | |
| Net interest income after provision | 8,395 | 6,060 |
| | | |
| Service charges and fees | 638 | 592 |
| Gain on loans sold | 595 | 790 |
| Other-than-temporary impairment loss | (260) | (433) |
| Loss on asset disposals | (105) | (179) |
| Other non-interest income | 153 | 151 |
| Total non-interest income | 1,021 | 921 |
| | | |
| Salaries and employee benefits | 2,147 | 2,504 |
| Marketing, advertising and promotion | 155 | 294 |
| Consulting and professional fees | 407 | 337 |
| Data processing | 470 | 458 |
| Loan expenses | 215 | 352 |
| Premises and equipment | 652 | 546 |
| Deposit insurance premiums | 474 | 499 |
| Other non-interest expense | 365 | 362 |
| Total non-interest expense | 4,885 | 5,352 |
| | | |
| Income before taxes | 4,531 | 1,629 |
| | | |
| Tax expense | 1,286 | 269 |
| | | |
| Net income | 3,245 | 1,360 |
| | | |
| Income per share: | | |
| Basic and diluted | 1.71 | 0.71 |
| Weighted average of shares outstanding: | | |
| Basic and diluted | 1,896,650 | 1,904,917 |