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ase the ALLL. The historical loss experience is determined by portfolio segment and considers two weighted average net charge-off trends: 1) the Company's average loss history over the previous sixteen quarters; and 2) the average loss history over the previous sixteen quarters for a peer group. Management believes the historical loss experience methodology is appropriate in the current economic environment, as it captures loss rates that are comparable to the current period being analyzed. The Company also factors in the following qualitative considerations: 1. Changes in policies and procedures; 2. Changes in national, regional, and local economic and business conditions; 3. Changes in the composition and size of the portfolio and in the terms of loans; 4. Changes in the experience, ability, and depth of lending management and other relevant staff; 5. Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans; 6. Changes in the quality of the Company's loan review system; 7. Changes in the value of underlying collateral for collateral-dependent loans; 8. The existence and effect of any concentration of credit and changes in the level of such concentrations; and 9. The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-12 Provision for Loan Losses A provision for estimated losses on loans is charged to income based upon management's evaluation of the potential losses. Such an evaluation, which includes a review of all loans for which full repayment may not be reasonably assured, considers, among other matters, the estimated net realizable value of the underlying collateral, as applicable, economic conditions, loan loss experience, and other factors that are particularly susceptible to changes that could result in a material adjustment in the near term. While management attempts to use the best information available in making its evaluations, future allowance adjustments may be necessary if economic conditions change substantially from the assumptions used in making the evaluations.

Nonaccrual Loans Any loan which becomes 90 days delinquent or for which the full collection of principal and interest may be in doubt will be considered for nonaccrual status. At the time a loan is placed on nonaccrual status, all accrued but unpaid interest will be reversed from interest income. Placing the loan on nonaccrual status does not relieve the borrower of the obligation to repay interest. A loan placed on nonaccrual status may be restored to accrual status when all delinquent principal and interest has been brought current, and the Company expects full payment of the remaining contractual principal and interest. Impaired Loans A loan is designated as impaired, in accordance with the impairment accounting guidance when, based on current information or events, it is probable that the Company will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Payments with delays generally not exceeding 90 days outstanding are not considered impaired. Certain nonaccrual and substantially all delinquent loans more than 90 days past due may be considered to be impaired. Generally, loans are placed on nonaccrual status at 90 days past due and accrued interest is reversed against earnings, unless the loan is well-secured and in the process of collection. The accrual of interest on impaired and nonaccrual loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. Impaired loans include nonperforming loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance, or other actions intended to maximize collection. Accounting Standards Codification ("ASC") Topic 310, Receivables, requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loans' effective interest rates or the fair value of the underlying collateral, less costs to sell, and allows existing methods for recognizing interest income. Troubled Debt Restructurings ("TDR") The loan portfolio includes certain loans that have been modified in a TDR, where economic concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from loss mitigation efforts and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other

actions. Certain TDRs are classified as nonperforming at the time of restructuring and typically are returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally not less than six months. When loans are modified in a TDR, any possible impairment similar to other impaired loans is evaluated based on either the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, or the current fair value of the collateral, less selling costs for collateral dependent loans. If it is determined that the value of the modified loan is less than the recorded balance of the loan, impairment is recognized through a specific ALLL or charge-off to the ALLL. In periods subsequent to modification, all TDRs, including those that have payment defaults, are evaluated for possible impairment, and impairment is recognized through the ALLL.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-13 Policy for Charging Off Loans The Company's policy is to charge off a loan at any point in time when it no longer can be considered a bankable asset, meaning collectible within the parameters of policy. A secured loan is generally charged down to the estimated fair value of the collateral, less costs to sell, no later than when it is 120 days past due as to principal or interest. An unsecured loan generally is charged off no later than when it is 180 days past due as to principal or interest. A home improvement loan generally is charged off no later than when it is 90 days past due as to principal or interest. Federal Home Loan Bank ("FHLB") of Indianapolis Stock Federal law requires a member institution of the FHLB system to hold common stock of its district FHLB according to a predetermined formula. This investment is stated at cost, which represents redemption value, and may be pledged as collateral for FHLB advances. Premises and Equipment Premises and equipment is stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives, which range from three to five years for software and equipment, ten years for land improvements, and 39 years for buildings. Other Real Estate Owned Other real estate owned represents real estate acquired through foreclosure or deed in lieu of foreclosure and is recorded at its fair value less estimated costs to sell. When property is acquired, it is recorded at its fair value at the date of acquisition with any resulting write-down charged against the ALLL. Any subsequent deterioration of the property is charged directly to operating expense. Costs relating to the development and improvement of other real estate owned are capitalized, whereas costs relating to holding and maintaining the property are charged to expense as incurred. Derivative Financial Instruments The Company uses derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Company enters into interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. Additionally, the Company enters into forward contracts for the future delivery of mortgage loans to third party investors and enters into interest rate lock commitments ("IRLCs") with potential borrowers to fund specific mortgage loans that will be sold into the secondary market. The forward contracts are entered into in order to economically hedge the effect of changes in interest rates resulting from the Company's commitment to fund the loans. Designating an interest rate swap as an accounting hedge allows the Company to recognize gains and losses, less any ineffectiveness, in the income statement within the same period that the hedged item affects earnings. The Company includes the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the related interest rate swaps. The fair value of interest rate swaps with a positive fair value are reported in accrued income and other assets in the consolidated balance sheets while interest rate swaps with a negative fair value are reported in accrued expenses and other liabilities in the consolidated balance sheets. The IRLCs and forward contracts are not designated as accounting hedges, and are recorded at fair value with changes in fair value reflected in noninterest income on the consolidated statements of income. The fair value of derivative instruments with a positive fair value are reported in accrued income and other assets in the consolidated balance sheets while derivative instruments with a negative fair value are reported in accrued expenses and other liabilities in the consolidated balance sheets.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-14 Fair Value Measurements The Company records or discloses certain assets and liabilities at fair value. ASC Topic 820, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are classified within one of three levels in a valuation hierarchy. ASC Topic 820 describes three levels of inputs that may be used to measure fair value: Level 1 Quoted prices in active markets for identical assets or liabilities Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities There were no transfers that occurred and, therefore, recognized, between any of the fair value hierarchy levels at December 31, 2017 or 2016. Income Taxes Deferred income tax assets and liabilities reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and the basis of such assets and liabilities as measured by tax laws and regulations. Deferred income tax expense or benefit is based upon the change in deferred tax assets and liabilities from period to period, subject to an ongoing assessment of realization of deferred tax assets. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company files income tax returns in the U.S. federal, Indiana, and other state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local examinations by tax authorities for years before 2014. ASC Topic 740-10, Accounting for Uncertainty in Income Taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company did not identify any material uncertain tax positions that it believes should be recognized in the consolidated financial statements.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-15 Earnings Per Share Earnings per share of common stock is based on the weighted-average number of basic shares and dilutive shares outstanding during the year. The following is a reconciliation of the weighted-average common shares for the basic and diluted earnings per share computations. Year Ended December 31, 2017 2016 2015 Basic earnings per share Net income available to common shareholders $ 15,226 $ 12,074 $ 8,929 Weighted-average common shares 7,118,628 5,211,209 4,528,528 Basic earnings per common share $ 2.14 $ 2.32 $ 1.97 Diluted earnings per share Net income available to common shareholders $ 15,226 $ 12,074 $ 8,929 Weighted-average common shares 7,118,628 5,211,209 4,528,528 Dilutive effect of warrants 6,120 11,026 10,665 Dilutive effect of equity compensation 24,554 16,847 15,026 Weighted-average common and incremental shares 7,149,302 5,239,082 4,554,219 Diluted earnings per common share $ 2.13 $ 2.30 $ 1.96 Share-based Compensation The Company has a share-based compensation plan using the fair value recognition provisions of ASC Topic 718, Compensation - Stock Compensation. The plan is described more fully in Note 10. Comprehensive Income Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale. Reclassification adjustments have been determined for all components of other comprehensive income or loss reported in the consolidated statements of changes in shareholders' equity. Statements of Cash Flows Cash and cash equivalents are defined to include cash on-hand, noninterest and interest-bearing amounts due from other banks and federal funds sold. Generally, federal funds are sold for one-day periods. The Company reports net cash flows for customer loan transactions and deposit transactions. Bank-Owned Life Insurance Bank-owned life insurance policies are carried at their cash surrender value. The Company recognizes tax-free income from the periodic increases in the cash surrender value of these policies and from death benefits. Goodwill Goodwill is tested at least annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-16 Reclassifications Certain reclassifications have been made to the 2016 and 2015 financial statements to conform to the 2017 financial statement presentation. These reclassifications had no effect on net income. Note 2: Cash and Cash Equivalents At December 31, 2017, the Company's interest-bearing and noninterest-bearing cash accounts at other institutions exceeded the limits for full FDIC insurance coverage by $1.6 million. In addition, approximately $0.4 million and $41.8 million of cash was held by the FHLB of Indianapolis and Federal Reserve Bank of Chicago, respectively, which are not federally insured. The Company is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2017 was $1.0 million. Note 3: Securities The following tables summarize securities available-for-sale and securities held-to-maturity as of December 31, 2017 and 2016. There were no securities held-to-maturity as of December 31, 2016. December 31, 2017 Amortized Gross Unrealized Fair Cost Gains Losses Value Securities available-for-sale U.S. Government-sponsored agencies $ 133,424 $ 531 $ (765) $ 133,190 Municipal securities 97,370 366 (1,359) 96,377 Mortgage-backed securities 215,452 15 (5,747) 209,720 Asset-backed securities 5,000 9 — 5,009 Corporate securities 27,111 103 (1,167) 26,047 Other securities 3,000 — (68) 2,932 Total available-for-sale $ 481,357 $ 1,024 $ (9,106) $ 473,275 December 31, 2017 Amortized Gross Unrealized Fair Cost Gains Losses Value Securities held-to-maturity Municipal securities $ 10,164 $ 40 $ (357) $ 9,847 Corporate securities 9,045 191 — 9,236 Total held-to-maturity $ 19,209 $ 231 $ (357) $ 19,083

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-17 December 31, 2016 Amortized Gross Unrealized Fair Cost Gains Losses Value Securities available-for-sale U.S. Government-sponsored agencies $ 92,599 $ 167 $ (870) $ 91,896 Municipal securities 97,647 85 (5,846) 91,886 Mortgage-backed securities 238,354 — (6,713) 231,641 Asset-backed securities 19,470 65 (1) 19,534 Corporate securities 20,000 — (1,189) 18,811 Other securities 3,000 — (68) 2,932 Total available-for-sale $ 471,070 $ 317 $ (14,687) $ 456,700 December 31, 2016 Amortized Gross Unrealized Fair Cost Gains Losses Value Securities held-to-maturity Municipal securities $ 10,171 $ — $ (498) $ 9,673 Corporate securities 6,500 24 — 6,524 Total held-to-maturity $ 16,671 $ 24 $ (498) $ 16,197 The carrying value of securities at December 31, 2017 is shown below by their contractual maturity date. Actual maturities will differ because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Available-for-Sale Amortized Cost Fair Value Within one year $ — $ — One to five years 826 791 Five to ten years 35,981 35,214 After ten years 221,098 219,609 257,905 255,614 Mortgage-backed securities 215,452 209,720 Asset-backed securities 5,000 5,009 Other securities 3,000 2,932 Total $ 481,357 $ 473,275 Held-to-Maturity Amortized Cost Fair Value Five to ten years $ 12,442 $ 12,487 After ten years 6,767 6,596 Total $ 19,209 $ 19,083

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-18 Gross realized gains of $0.0 million, $0.2 million, and $0.0 million and gross realized losses of $0.0 million, $0.0 million, and $0.0 million resulting from sales of available-for-sale securities were recognized during the twelve months ended December 31, 2017, 2016, and 2015, respectively. As of December 31, 2017, the fair value of available-for-sale investment securities pledged as collateral was $460.1 million. The Company pledged the securities for various types of transactions, including FHLB advances, derivative financial instruments and to collateralize municipal deposits. Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2017 and 2016 was $354.6 million and $422.9 million, which is approximately 72% and 89%, respectively, of the Company's available-for-sale and held-to-maturity securities portfolio. These declines primarily resulted from fluctuations in market interest rates after purchase. Management believes the declines in fair value for these securities are temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced with the resulting loss recognized in net income in the period the other-than-temporary impairment ("OTTI") is identified. U.S. Government-Sponsored Agencies, Municipal Securities, and Corporate Securities The unrealized losses on the Company's investments in securities issued by U.S. Government-sponsored agencies, municipal organizations and corporate entities were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2017. Mortgage-Backed and Asset-Backed Securities The unrealized losses on the Company's investments in mortgage-backed and asset-backed securities were caused by interest rate changes. The Company expects to recover the amortized cost bases over the term of the securities. Because the Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2017. Other Securities The unrealized losses on the Company's investments in other securities were caused by the investment in the Community Reinvestment Act Qualified Fund. Because the Company does not intend to sell the investment and it is not likely that the Company will be required to sell the investment before recovery of its amortized cost basis, the Company does not consider this investment to be other-than-temporarily impaired at December 31, 2017.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-19 The following tables show the securities portfolio's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2017 and 2016: December 31, 2017 Less Than 12 Months 12 Months or Longer Total Fair Value Unrealized Losses Fair Value Unrealized Losses Fair Value Unrealized Losses Securities available-for-sale U.S. Government-sponsored agencies $ 30,194 $ (256) $ 22,824 $ (509) $ 53,018 $ (765) Municipal securities 5,638 (77) 57,128 (1,282) 62,766 (1,359) Mortgage-backed securities 29,542 (251) 177,266 (5,496) 206,808 (5,747) Corporate securities 1,852 (148) 18,981 (1,019) 20,833 (1,167) Other securities — — 2,932 (68) 2,932 (68) Total $ 67,226 $ (732) $ 279,131 $ (8,374) $ 346,357 $ (9,106) December 31, 2017 Less Than 12 Months 12 Months or Longer Total Fair Value Unrealized Losses Fair Value Unrealized Losses Fair Value Unrealized Losses Securities held-to-maturity Municipal securities $ 8,255 $ (357) $ — $ — $ 8,255 $ (357) Total $ 8,255 $ (357) $ — $ — $ 8,255 $ (357) December 31, 2016 Less Than 12 Months 12 Months or Longer Total Fair Value Unrealized Losses Fair Value Unrealized Losses Fair Value Unrealized Losses Securities available-for-sale U.S. Government-sponsored agencies $ 68,625 $ (840) $ 260 $ (30) $ 68,885 $ (870) Municipals 86,424 (5,846) — — 86,424 (5,846) Mortgage-backed securities 231,641 (6,713) — — 231,641 (6,713) Asset-backed securities — — 4,520 (1) 4,520 (1) Corporate securities — — 18,811 (1,189) 18,811 (1,189) Other securities 2,932 (68) — — 2,932 (68) Total $ 389,622 $ (13,467) $ 23,591 $ (1,220) $ 413,213 $ (14,687) December 31, 2016 Less Than 12 Months 12 Months or Longer Total Fair Value Unrealized Losses Fair Value Unrealized Losses Fair Value Unrealized Losses Securities held-to-maturity Municipal securities $ 9,673 $ (498) $ — $ — $ 9,673 $ (498) Total $ 9,673 $ (498) $ — $ — $ 9,673 $ (498)

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-20 Amounts reclassified from accumulated other comprehensive loss and the affected line items in the consolidated statements of income during the years ended December 31, 2017, 2016 and 2015 were as follows: Details About Accumulated Other Comprehensive Loss Components Amounts Reclassified from Accumulated Other Comprehensive Loss for the Year Ended December 31, Affected Line Item in the Statements of Income2017 2016 2015 Unrealized gains and losses on securities available-for-sale Gain (loss) realized in earnings $ (8) $ 177 $ — Gain (loss) on sale of securities Total reclassified amount before tax (8) 177 — Income before income taxes Tax expense (benefit) (3) 63 — Income tax provision Total reclassifications out of accumulated other comprehensive loss $ (5) $ 114 $ — Net Income Note 4: Loans Categories of loans include: December 31, 2017 2016 Commercial loans Commercial and industrial $ 122,940 $ 102,437 Owner-occupied commercial real estate 75,768 57,668 Investor commercial real estate 7,273 13,181 Construction 49,213 53,291 Single tenant lease financing 803,299 606,568 Public finance 438,341 — Healthcare finance 31,573 — Total commercial loans 1,528,407 833,145 Consumer loans Residential mortgage 299,935 205,554 Home equity 30,554 35,036 Other consumer 227,533 173,449 Total consumer loans 558,022 414,039 Total commercial and consumer loans 2,086,429 1,247,184 Net deferred loan origination costs and premiums and discounts on purchased loans 4,764 3,605 Total loans 2,091,193 1,250,789 Allowance for loan losses (14,970) (10,981) Net loans $ 2,076,223 $ 1,239,808 The risk characteristics of each loan portfolio segment are as follows: Commercial and Industrial: Commercial and industrial loans' sources of repayment are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected, and the collateral securing these loans may fluctuate in value. Loans are made for working capital, equipment purchases, or other purposes. Most commercial and industrial loans are secured by the assets being financed and may incorporate a personal guarantee. This portfolio segment is generally concentrated in Central Indiana and adjacent markets and the greater Phoenix, Arizona market.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-21 Owner-Occupied Commercial Real Estate: The primary source of repayment is the cash flow from the ongoing operations and activities conducted by the borrower, or an affiliate of the borrower, who owns the property. This portfolio segment is generally concentrated in Central Indiana and adjacent markets and the greater Phoenix, Arizona market and its loans are often secured by manufacturing and service facilities, as well as office buildings. Investor Commercial Real Estate: These loans are underwritten primarily based on the cash flow expected to be generated from the property and are secondarily supported by the value of the real estate. These loans typically incorporate a personal guarantee from the primary sponsor or sponsors. This portfolio segment generally involves larger loan amounts with repayment primarily dependent on the successful leasing and operation of the property securing the loan or the business conducted on the property securing the loan. Investor commercial real estate loans may be more adversely affected by changing economic conditions in the real estate markets, industry dynamics or the overall health of the local economy where the property is located. The properties securing the Company’s investor commercial real estate portfolio tend to be diverse in terms of property type and are ideally located in the state of Indiana or markets immediately adjacent to Indiana. Management monitors and evaluates commercial real estate loans based on property financial performance, collateral value, guarantor strength, economic and industry conditions together with other risk grade criteria. As a general rule, the Company avoids financing special use projects or properties outside of its designated market areas unless other underwriting factors are present to mitigate these additional risks. Construction: Construction loans are secured by land and related improvements and are made to assist in the construction of new structures, which may include commercial (retail, industrial, office, multi-family) properties or single family residential properties offered for sale by the builder. These loans generally finance a variety of project costs, including land, site preparation, architectural services, construction, closing and soft costs and interim financing needs. The cash flows of builders, while initially predictable, may fluctuate with market conditions, and the value of the collateral securing these loans may be subject to fluctuations based on general economic changes. This portfolio segment is generally concentrated in Central Indiana. Single Tenant Lease Financing: These loans are made on a nationwide basis to property owners of real estate subject to long term lease arrangements with single tenant operators. The real estate is typically operated by regionally, nationally or globally branded businesses. The loans are underwritten based on the financial strength of the borrower, characteristics of the real estate, cash flows generated from the lease arrangements and the financial strength of the tenant. Similar to the other loan portfolio segments, management monitors and evaluates these loans based on borrower and tenant financial performance, collateral value, industry trends and other risk grade criteria. Public Finance: These loans are made to governmental and not-for-profit entities to provide both tax-exempt and taxable loans for a variety of purposes including: short term cash-flow needs; debt refinancing; economic development; quality of life projects; infrastructure improvements; and equipment financing. The primary sources of repayment for public finance loans include pledged revenue sources including but not limited to: general obligations; property taxes; income taxes; tax increment revenue; utility revenue; gaming revenues; sales tax; and pledged general revenue. Certain loans may also include an additional collateral pledge of mortgaged property or a security interest in financed equipment. Public finance loans have been completed in seven states, primarily in the Midwest, with plans to continue expanding nationwide. Healthcare Finance: These loans are made to healthcare providers, primarily dentists, for refinancing or acquiring practices, refinancing or acquiring owner-occupied commercial real estate, and equipment purchases. These loans’ sources of repayment are primarily based on the identified cash flows of the borrower (including ongoing operations and activities conducted by the borrower, or an affiliate of the borrower, who owns the property) and secondarily on the underlying collateral provided by the borrower. This portfolio segment is generally concentrated in the Western United States with plans to expand nationwide. Residential Mortgage: With respect to residential loans that are secured by 1-4 family residences and are generally owner occupied, the Company typically establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Repayment of these loans is primarily dependent on the financial circumstances of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in residential property values. Risk is mitigated by the fact that the loans

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-22 are of smaller individual amounts and spread over a large number of borrowers in geographically diverse locations throughout the country. Home Equity: Home equity loans and lines of credit are typically secured by a subordinate interest in 1-4 family residences. The properties securing the home equity portfolio segment are generally geographically diverse as the Company offers these products on a nationwide basis. Repayment of these loans and lines of credit is primarily dependent on the financial circumstances of the borrowers and may be impacted by changes in unemployment levels and property values on residential properties, among other economic conditions in the market. Other Consumer: These loans primarily consist of consumer loans and credit cards. Consumer loans may be secured by consumer assets such as horse trailers or recreational vehicles. Some consumer loans are unsecured, such as small installment loans, home improvement loans and certain lines of credit. Repayment of consumer loans is primarily dependent upon the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers in geographically diverse locations throughout the country. The following tables present changes in the balance of the allowance for loan losses during the twelve months ended December 31, 2017, 2016, and 2015. Twelve Months Ended December 31, 2017 Balance, beginning of period Provision (credit) charged to expense Losses charged off Recoveries Balance, end of period Allowance for loan losses: Commercial and industrial $ 1,352 $ 588 $ (271) $ 69 $ 1,738 Owner-occupied commercial real estate 582 221 — — 803 Investor commercial real estate 168 (83) — — 85 Construction 544 (121) — — 423 Single tenant lease financing 6,248 1,624 — — 7,872 Public finance — 959 — — 959 Healthcare fina — — 313 Residential mortgage 754 314 (116) 4 956 Home equity 102 (55) — 23 70 Other consumer 1,231 1,112 (895) 303 1,751 Total $ 10,981 $ 4,872 $ (1,282) $ 399 $ 14,970

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-23 Twelve Months Ended December 31, 2016 Balance, beginning of period Provision (credit) charged to expense Losses charged off Recoveries Balance, end of period Allowance for loan losses: Commercial and industrial $ 1,367 $ 1,380 $ (1,582) $ 187 $ 1,352 Owner-occupied commercial real estate 476 106 — — 582 Investor commercial real estate 212 (44) — — 168 Construction 500 44 — — 544 Single tenant lease financing 2,317 — — 6,248 Residential mortgage 896 (38) (134) 30 754 Home equity 125 (3) (33) 13 102 Other consumer 844 568 (440) 259 1,231 Total $ 8,351 $ 4,330 $ (2,189) $ 489 $ 10,981 Twelve Months Ended December 31, 2015 Balance, beginning of period Provision (credit) charged to expense Losses charged off Recoveries Balance, end of period Allowance for loan losses: Commercial and industrial $ 920 $ 447 $ — $ — $ 1,367 Owner-occupied commercial real estate 345 131 — — 476 Investor commercial real estate 261 (549) — 500 212 Construction 330 170 — — 500 Single tenant lease financing 2,061 1,870 — — 3,931 Residential mortgage 985 (311) (185) 407 896 Home equity 207 (83) — 1 125 Other consumer 691 271 (451) 333 844 Total $ 5,800 $ 1,946 $ (636) $ 1,241 $ 8,351

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-24 The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2017 and 2016. Loans Allowance for Loan Losses December 31, 2017 Ending Balance: Collectively Evaluated for Impairment Ending Balance: Individually Evaluated for Impairment Ending Balance Ending Balance: Collectively Evaluated for Impairment Ending Balance: Individually Evaluated for Impairment Ending Balance Commercial and industrial $ 119,054 $ 3,886 $ 122,940 $ 1,738 $ — $ 1,738 Owner-occupied commercial real estate 75,761 7 75,768 803 — 803 Investor commercial real estate 7,273 — 7,273 85 — 85 Construction 49,213 — 49,213 423 — 423 Single tenant lease financing 803,299 — 803,299 7,872 — 7,872 Public finance 438,341 — 438,341 959 — 959 Healthcare finance 31,573 — 31,573 313 — 313 Residential mortgage 298,796 1,139 299,935 956 — 956 Home equity 30,471 83 30,554 70 — 70 Other consumer 227,443 90 227,533 1,751 — 1,751 Total $ 2,081,224 $ 5,205 $2,086,429 $ 14,970 $ — $ 14,970 Loans Allowance for Loan Losses December 31, 2016 Ending Balance: Collectively Evaluated for Impairment Ending Balance: Individually Evaluated for Impairment Ending Balance Ending Balance: Collectively Evaluated for Impairment Ending Balance: Individually Evaluated for Impairment Ending Balance Commercial and industrial $ 102,437 $ — $ 102,437 $ 1,352 $ — $ 1,352 Owner-occupied commercial real estate 57,668 — 57,668 582 — 582 Investor commercial real estate 13,181 — 13,181 168 — 168 Construction 53,291 — 53,291 544 — 544 Single tenant lease financing 606,568 — 606,568 6,248 — 6,248 Residential mortgage 203,842 1,712 205,554 754 — 754 Home equity 35,036 — 35,036 102 — 102 Other consumer 173,321 128 173,449 1,231 — 1,231 Total $ 1,245,344 $ 1,840 $1,247,184 $ 10,981 $ — $ 10,981 The Company utilizes a risk grading matrix to assign a risk grade to each of its commercial loans. A description of the general characteristics of the risk grades is as follows: • “Pass” - Higher quality loans that do not fit any of the other categories described below.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-25 • “Special Mention” - Loans that possess some credit deficiency or potential weakness which deserve close attention. • “Substandard” - Loans that possess a defined weakness or weaknesses that jeopardize the liquidation of the debt. Loans characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. • “Doubtful” - Such loans have been placed on nonaccrual status and may be heavily dependent upon collateral possessing a value that is difficult to determine or based upon some near-term event which lacks clear certainty. These loans have all of the weaknesses of those classified as Substandard; however, based on existing conditions, these weaknesses make full collection of the principal balance highly improbable. • “Loss” - Loans that are considered uncollectible and of such little value that continuing to carry them as assets is not warranted. The following tables present the credit risk profile of the Company’s commercial and consumer loan portfolios based on rating category and payment activity as of December 31, 2017 and 2016.

December 31, 2017	Pass	Special Mention	Substandard	Total
Commercial and industrial	$ 113,840	$ 5,203	$ 3,897	$ 122,940
Owner-occupied commercial real estate	72,995	2,766	7	75,768
Investor commercial real estate	7,273	—	—	7,273
Construction	49,213	—	—	49,213
Single tenant lease financing	796,307	6,992	—	803,299
Public finance	438,341	—	—	438,341
Healthcare finance	31,573	—	—	31,573
Total commercial loans	$ 1,509,542	$ 14,961	$ 3,904	$ 1,528,407

December 31, 2017	Performing	Nonaccrual	Total
Residential mortgage	$ 299,211	$ 724	$ 299,935
Home equity	30,471	83	30,554
Other consumer	227,501	32	227,533
Total	$ 557,183	$ 839	$ 558,022

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-26 December 31, 2016 Pass Special Mention Substandard Total Commercial and industrial $ 99,200 $ 2,746 $ 491 $ 102,437 Owner-occupied commercial real estate 57,657 — 11 57,668 Investor commercial real estate 13,181 — — 13,181 Construction 53,291 — — 53,291 Single tenant lease financing 605,190 1,378 — 606,568 Total commercial loans $ 828,519 $ 4,124 $ 502 $ 833,145 December 31, 2016 Performing Nonaccrual Total Residential mortgage $ 204,530 $ 1,024 $ 205,554 Home equity 35,036 — 35,036 Other consumer 173,390 59 173,449 Total $ 412,956 $ 1,083 $ 414,039 The following tables present the Company's loan portfolio delinquency analysis as of December 31, 2017 and 2016. December 31, 2017 30-59 Days Past Due 60-89 Days Past Due 90 Days or More Past Due Total Past Due Current Total loans Nonaccrual Loans Total Loans 90 Days or More Past Due and Accruing Commercial and industrial $ — $ 10 $ — $ 10 $ 122,930 $ 122,940 $ — $ — Owner-occupied commercial real estate — — — — 75,768 75,768 — — Investor commercial real estate — — — — 7,273 Construction — — — — 49,213 49,213 — — Single tenant lease financing — — — — 803,299 803,299 — — Public finan 438,341 — — Healthcare finance — — — — 31,573 31,573 — — Residential mortgage — 23 560 583 299,352 299,935 72 equity — — 83 83 30,471 30,554 83 — Other consumer 299 110 6 415 227,118 227,533 32 — Total $ 299 $ 143 $ 649 $ 1,091 $ 2,085,338 $ 2,086,429 $ 839 $ —

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-27 December 31, 2016 30-59 Days Past Due 60-89 Days Past Due 90 Days or More Past Due Total Past Due Current Total loans Nonaccrual Loans Total Loans 90 Days or More Past Due and Accruing Commercial and industrial $ 27 $ — $ — $ 27 $ 102,410 $ 102,437 $ — $ — Owner-occupied commercial real estate — — — — 57,668 57,668 — — Investor commercial real estate — — — — 13,181 13,181 — — Construction — — tenant lease financing — — — — 606,568 606,568 — — Residential mortgage — 347 991 1,338 204,216 205,554 1,024 — equity — — — — 35,036 35,036 — — Other consumer 173 91 25 289 173,160 173,449 59 — Total $ 200 $ 438 $ 1,016 $ 1,245,530 $ 1,247,184 $ 1,083 $ — The following tables present the Company’s impaired loans as of December 31, 2017 and 2016. There were no impaired loans with a specific valuation allowance as of December 31, 2017 and 2016. December 31, 2017 December 31, 2016 Recorded Balance Unpaid Principal Balance Specific Allowance Recorded Balance Unpaid Principal Balance Specific Allowance Loans without a specific valuation allowance Commercial and industrial $ 3,886 $ 3,886 $ — $ — $ — $ — Owner-occupied commercial real estate 7 — — — — Residential mortgage 1,139 1,144 — 1,712 1,824 — Home equity 83 83 — — — — Other consumer 90 143 Total impaired loans $ 5,205 $ 5,263 $ — $ 1,840 $ 2,008 $ — The table below presents average balances and interest income recognized for impaired loans during the twelve months ended December 31, 2017, 2016, and 2015. Twelve Months Ended December 31, 2017 December 31, 2016 December 31, 2015 Average Balance Interest Income Average Balance Interest Income Average Balance Interest Income Loans without a specific valuation allowance Commercial and industrial $ 2,942 $ 146 $ — $ — $ — $ — Owner-occupied commercial real estate 3 — — Investor commercial real estate — — — — 21 2 Residential mortgage 1,546 6 1,595 8 1,112 8 Home equity 5 — — consumer 105 4 149 5 193 16 Total 4,601 156 1,744 13 1,326 26 Loans with a specific valuation allowance Commercial and industrial 35 — 1,084 — — — Residential mortgage — — — — 15 — Other consumer — — — — 13 1 Total impaired loans $ 4,636 $ 156 $ 2,828 $ 13 $ 1,354 $ 27

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-28 As of December 31, 2017 and December 31, 2016, the Company had $0.6 million and less than $0.1 million, respectively, in residential mortgage other real estate owned. There were $0.2 million and $1.0 million of loans at December 31, 2017 and December 31, 2016, respectively, in the process of foreclosure. Troubled Debt Restructurings ("TDRs") The loan portfolio includes TDRs, which are loans that have been modified to grant economic concessions to borrowers who have experienced financial difficulties. These concessions typically result from loss mitigation efforts and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance, or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and typically are returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally not less than six consecutive months. When loans are modified in a TDR, any possible impairment similar to other impaired loans is evaluated based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, or using the current fair value of the collateral, less selling costs for collateral dependent loans. If it is determined that the value of the modified loan is less than the recorded balance of the loan, impairment is recognized through a specific allowance or charge-off to the allowance. In periods subsequent to modification, all TDRs, including those that have payment defaults, are evaluated for possible impairment, and impairment is recognized through the allowance. In the course of working with troubled borrowers, the Company may choose to restructure the contractual terms of certain loans in an effort to work out an alternative payment schedule with the borrower in order to optimize the collectability of the loan. Any loan modification is reviewed by the Company to identify whether a TDR has occurred when the Company grants a concession to the borrower that it would not otherwise consider based on economic or legal reasons related to a borrower's financial difficulties. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status or the loan may be restructured to secure additional collateral and/or guarantees to support the debt, or a combination of the two. There were two commercial and industrial loans classified as new TDRs during the twelve months ended December 31, 2017 with a pre-modification and post-modification outstanding recorded investment of $1.8 million. These loans were paid-in-full in the fourth quarter of 2017. There were no loans classified as new TDRs during the twelve months ended December 31, 2016. The 2017 modifications consisted of maturity date amendments and certain other term modifications. Note 5: Premises and Equipment The following table summarizes premises and equipment at December 31, 2017 and 2016. December 31, 2017 2016 Land $ 2,500 $ 2,500 Building and improvements 6,427 5,441 Furniture and equipment 7,610 7,079 Less: accumulated depreciation (6,479) (4,976) $ 10,058 $ 10,044

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-29 Note 6: Goodwill As of December 31, 2017 and 2016, the carrying amount of goodwill was $4.7 million. There have been no changes in the carrying amount of goodwill for the three years ended December 31, 2017, 2016, and 2015. Goodwill is tested for impairment on an annual basis as of August 31, or whenever events or changes in circumstances indicate the carrying amount of goodwill exceeds its implied fair value. No events or changes in circumstances have occurred since the August 31, 2017 annual impairment test that would suggest it was more likely than not goodwill impairment existed. Note 7: Deposits The following table presents the composition of the Company's deposit base as of December 31, 2017 and 2016. December 31, 2017 2016 Noninterest-bearing demand deposit accounts $ 44,686 $ 31,166 Interest-bearing demand deposit accounts 94,674 93,074 Regular savings accounts 49,939 27,955 Money market accounts 499,501 340,240 Certificates of deposits 1,319,488 964,819 Brokered deposits 76,653 5,613 Total deposits $ 2,084,941 $ 1,462,867 Certificates of deposit (in the amount of $250 or more) $ 453,034 $ 295,578 The following table presents scheduled certificates of deposits and brokered deposits maturities by year as of December 31, 2017. 2018 $ 680,686 2019 179,513 2020 126,603 2021 315,318 2022 80,753 Thereafter 13,268 $ 1,396,141 Note 8: FHLB Advances The Company had outstanding FHLB advances of $410.2 million and $190.0 million as of December 31, 2017 and 2016, respectively. As of December 31, 2017, the interest rates on the Company's outstanding FHLB advances ranged from 0.42% to 4.22%, with a weighted average interest rate of 1.50%. All advances are collateralized by residential mortgage loans and commercial real estate loans pledged and held by the Company and investment securities pledged by the Company and held in safekeeping with the FHLB. Residential mortgage loans pledged were approximately $226.3 million and $166.4 million as of December 31, 2017 and 2016, respectively, and commercial real estate loans pledged were approximately $808.9 million and $0.0 million as of December 31, 2017 and 2016, respectively. The fair value of investment securities pledged to the FHLB was approximately $453.9 million and $340.6 million as of December 31, 2017 and 2016, respectively. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to an additional $507.9 million at year-end 2017.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-30 The Company's FHLB advances are scheduled to mature according to the following schedule: Amount 2018 $ 55,000 2019 30,000 2020 — 2021 — 2022 110,000 Thereafter 215,000 410,000 Net deferred prepayment gain on advance restructure 176 $ 410,176 Note 9: Subordinated Debt In June 2013, the Company issued a subordinated debenture (the "2021 Debenture") in the principal amount of $3.0 million. The 2021 Debenture bears a fixed interest rate of 8.00% per year, payable quarterly, and is scheduled to mature on June 28, 2021. The 2021 Debenture may be repaid, without penalty, at any time after June 28, 2016. The 2021 Debenture is intended to qualify as Tier 2 capital under regulatory guidelines. In connection with the 2021 Debenture, the Company also issued a warrant to purchase up to 48,750 shares of common stock at an initial per share exercise price equal to $19.33. The warrant became exercisable on June 28, 2014. On May 4, 2017, the holder of the warrant exercised the warrant in full and the Company issued a net amount of 15,915 shares of common stock. The holder satisfied the exercise price by instructing the Company to withhold 32,835 of the shares of common stock in accordance with the warrant's cashless exercise feature. In October 2015, the Company entered into a term loan in the principal amount of $10.0 million, evidenced by a term note due 2025 (the "2025 Note"). The 2025 Note bears a fixed interest rate of 6.4375% per year, payable quarterly, and is scheduled to mature on October 1, 2025. The 2025 Note is an unsecured subordinated obligation of the Company and may be repaid, without penalty, on any interest payment date on or after October 15, 2020. The 2025 Note is intended to qualify as Tier 2 capital under regulatory guidelines. In September 2016, the Company issued $25.0 million aggregate principal amount of 6.0% Fixed-to-Floating Rate Subordinated Notes due 2026 (the "2026 Notes") in a public offering. The 2026 Notes initially bear a fixed interest rate of 6.00% per year to, but excluding September 30, 2021, and thereafter a floating rate equal to the then-current three-month LIBOR rate plus 485 basis points. All interest on the 2026 Notes is payable quarterly. The 2026 Notes are scheduled to mature on September 30, 2026. The 2026 Notes are unsecured subordinated obligations of the Company and may be repaid, without penalty, on any interest payment date on or after September 30, 2021. The 2026 Notes are intended to qualify as Tier 2 capital under regulatory guidelines.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-31 The following table presents the principal balance and unamortized discount and debt issuance costs for the 2021 Debenture, the 2025 Note and the 2026 Notes as of December 31, 2017 and 2016. December 31, 2017 December 31, 2016 Principal Unamortized Discount and Debt Issuance Costs Principal Unamortized Discount and Debt Issuance Costs 2021 Debenture $ 3,000 — 3,000 — 2025 Note 10,000 (186) 10,000 (210) 2026 Notes 25,000 (1,088) 25,000 (1,212) Total $ 38,000 (1,274) 38,000 (1,422) Note 10: Benefit Plans 401(k) Plan The Company has a 401(k) plan established for substantially all full-time employees, as defined in the plan. Employee contributions are limited to the maximum established by the Internal Revenue Service on an annual basis. The Company has elected to match contributions equal to 100% of the first 1% of employee deferrals and then 50% on deferrals over 1% up to a maximum of 6% of an individual’s total eligible salary, as defined in the plan. Employer-matching contributions begin vesting after one year at a rate of 50% per year of employment and are fully vested after the completion of two years of employment. Contributions totaled approximately $0.5 million, $0.4 million and $0.3 million in the twelve months ended December 31, 2017, 2016 and 2015, respectively. Employment Agreement The Company has entered into an employment agreement with its Chief Executive Officer that provides for the continuation of salary and certain benefits for a specified period of time under certain conditions. Under the terms of the agreement, these payments could occur in the event of a change in control of the Company, as defined in the agreement, along with other specific conditions. 2013 Equity Incentive Plan The 2013 Equity Incentive Plan (“2013 Plan”) authorizes the issuance of up to 750,000 shares of the Company’s common stock in the form of equity-based awards to employees, directors, and other eligible persons. Under the terms of the 2013 Plan, the pool of shares available for issuance may be used for available types of equity awards under the 2013 Plan, which includes stock options, stock appreciation rights, restricted stock awards, stock unit awards, and other share-based awards. All employees, consultants, and advisors of the Company or any subsidiary, as well as all non-employee directors of the Company, are eligible to receive awards under the 2013 Plan. The Company recorded $1.0 million, $0.7 million, and $0.8 million of share-based compensation expense for the years ended December 31, 2017, 2016, and 2015, respectively, related to awards made under the 2013 Plan.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-32 The following table summarizes the status of the 2013 Plan awards as of December 31, 2017, and activity for the year ended December 31, 2017: Restricted Stock Units Weighted- Average Grant Date Fair Value Per Share Restricted Stock Awards Weighted- Average Grant Date Fair Value Per Share Deferred Stock Units Weighted- Average Grant Date Fair Value Per Unit Nonvested at January 1, 2017 49,781 $ 23.07 16,330 $ 19.06 — $ — Granted 42,819 30.99 5,628 31.00 7 30.46 Vested (19,835) 22.43 (18,625) 21.71 (7) 30.46 Forfeited — — — — — — Nonvested at December 31, 2017 72,765 $ 27.91 3,333 $ 24.44 — $ — As of December 31, 201 unrecognized compensation cost related to nonvested awards was $1.4 million, with a weighted-average expense recognition period of 1.9 years. Directors Deferred Stock Plan Until January 1, 2014, the Company had a stock compensation plan for non-employee members of the Board of Directors (“Directors Deferred Stock Plan”). The Company reserved 180,000 shares of common stock that could have been issued pursuant to the Directors Deferred Stock Plan. The plan provided directors the option to elect to receive up to 100% of their annual retainer in either common stock or deferred stock rights. Deferred stock rights were to be settled in common stock following the end of the deferral period payable on the basis of one share of common stock for each deferred stock right. The following table summarizes the status of deferred stock rights related to the Directors Deferred Stock Plan for the year ended December 31, 2017. Deferred Rights Outstanding, beginning of year 82,377 Granted 618 Exercised — Outstanding, end of year 82,995 All deferred stock rights granted during the 2017 period were additional rights issued in lieu of cash dividends payable on outstanding deferred stock rights. Note 11: Income Taxes The provision for income taxes consists of the following: December 31, 2017 2016 2015 Current $ 10,998 $ 2,367 $ 4,293 Deferred (5,142) 3,544 443 Net deferred tax asset revaluation 1,846 — — Total $ 7,702 $ 5,911 $ 4,736 The Tax Cuts and Jobs Act of 2017 ("Tax Act") was enacted on December 22, 2017. Among other changes, the Tax Act reduces the federal corporate tax rate from 35% to 21%. At December 31, 2017, the Company has substantially completed its accounting for the tax effects of enactment of the Tax Act. For deferred tax assets and liabilities,

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-33 amounts were revalued based on the rates expected to reverse in the future, which is now 21%. The Company continues to analyze certain aspects of the Tax Act and further refinements are possible, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts, although we do not expect these adjustments to materially impact our financial statements. Income tax provision is reconciled to the statutory rate applied to pre-tax income. The statutory rate was 35%, 34% and 34% at December 31, 2017, 2016 and 2015, respectively. December 31, 2017 2016 2015 Statutory rate times pre-tax income $ 8,025 $ 6,115 $ 4,646 Add (subtract) the tax effect of: Income from tax-exempt securities and loans (2,512) (635) (132) State income tax, net of federal tax effect 693 567 154 Bank-owned life insurance (318) (159) (137) Net deferred tax asset revaluation 1,846 — — Other differences (32) 23 205 Total income taxes $ 7,702 $ 5,911 $ 4,736 The net deferred tax asset at December 31 consists of the following: December 31, 2017 2016 Deferred tax assets (liabilities) Allowance for loan losses $ 3,873 $ 4,269 Unrealized loss on available-for-sale securities 1,939 5,112 Fair value adjustments (2,213) (5,994) Depreciation (263) (525) Deferred compensation and accrued payroll 1,051 1,234 Loan origination costs (783) (955) Prepaid assets (288) (276) Other 69 397 Total deferred tax assets, net $ 3,385 $ 3,262 Note 12: Related Party Transactions In the normal course of business, the Company may enter into transactions with various related parties. In management's opinion, such loans, other extensions of credit, and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features. Management evaluated related party loans and extensions of credit at December 31, 2017 and 2016, and deemed the balances immaterial. Deposits from related parties held by the Company at December 31, 2017 and 2016 totaled $22.8 million and $21.9 million, respectively.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-34 Note 13: Regulatory Capital Requirements The Company and the Bank are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors. The Basel III Capital Rules became effective for the Company and the Bank on January 1, 2015, subject to a phase-in period for certain provisions. Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios of Common Equity Tier 1 capital, Tier 1 capital and Total capital, as defined in the regulations, to risk-weighted assets, and of Tier 1 capital to adjusted quarterly average assets ("Leverage Ratio"). When fully phased in on January 1, 2019, the Basel III Capital Rules will require the Company and the Bank to maintain: 1) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 4.5%, plus a 2.5% "capital conservation buffer" (resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 7.0% upon full implementation); 2) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation); 3) a minimum ratio of Total capital to risk-weighted assets of 8.0%, plus the capital conservation buffer (resulting in a minimum Total capital ratio of 10.5% upon full implementation); and 4) a minimum Leverage Ratio of 4.0%. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased in over a four-year period increasing by increments of that amount on each subsequent January 1 until it reaches 2.5% on January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress. Failure to maintain the minimum Common Equity Tier 1 ratio plus the capital conservation buffer will result in potential restrictions on a banking institution's ability to pay dividends, repurchase stock and/or pay discretionary compensation to its employees.

First Internet Bancorp   Notes to Consolidated Financial Statements   (Tabular dollar amounts in thousands except per share data)   F-35   The following tables present actual and required capital ratios as of December 31, 2017 and 2016 for the Company and   the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum   required capital levels as of December 31, 2017 and 2016 based on the phase-in provisions of the Basel III Capital Rules   and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-   in, in each case, including the capital conservation buffer required during such period. Capital levels required to be   considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under   the Basel III Capital Rules.   Actual   Minimum Capital   Required - Basel III   Phase-In Schedule   Minimum Capital   Required - Basel III   Fully Phased-In   Minimum Required   to be Considered   Well Capitalized   Capital   Amount Ratio   Capital   Amount Ratio   Capital   Amount Ratio   Capital   Amount Ratio   As of December 31, 2017:   Common equity tier 1 capital to risk-   weighted assets   Consolidated $ 224,407 11.43% $ 112,866 5.75% $ 137,402 7.00% N/A N/A   Bank 223,288 11.40% 112,672 5.75% 137,166 7.00% 127,368 6.50%   Tier 1 capital to risk-weighted assets   Consolidated 224,407 11.43% 142,309 7.25% 166,845 8.50% N/A N/A   Bank 223,288 11.40% 142,064 7.25% 166,558 8.50% 156,761 8.00%   Total capital to risk-weighted assets   Consolidated 276,103 14.07% 181,566 9.25% 206,102 10.50% N/A N/A   Bank 238,258 12.16% 181,255 9.25% 205,748 10.50% 195,951 10.00%   Leverage ratio   Consolidated 224,407 8.45% 106,196 4.00% 106,196 4.00% N/A N/A   Bank 223,288 8.42% 106,059 4.00% 106,059 4.00% 132,574 5.00%   Actual   Minimum Capital   Required - Basel III   Phase-In Schedule   Minimum Capital   Required - Basel III   Fully Phased-In   Minimum Required   to be Considered   Well Capitalized   Capital   Amount Ratio   Capital   Amount Ratio   Capital   Amount Ratio   Capital   Amount Ratio   As of December 31, 2016:   Common equity tier 1 capital to risk-   weighted assets   Consolidated $ 158,479 11.54% $ 70,366 5.13% $ 96,110 7.00% N/A N/A   Bank 162,617 11.88% 70,145 5.13% 95,807 7.00% 88,964 6.50%   Tier 1 capital to risk-weighted assets   Consolidated 158,479 11.54% 90,961 6.63% 116,705 8.50% N/A N/A   Bank 162,617 11.88% 90,675 6.63% 116,337 8.50% 109,494 8.00%   Total capital to risk-weighted assets   Consolidated 206,038 15.01% 118,421 8.63% 144,165 10.50% N/A N/A   Bank 173,598 12.68% 118,048 8.63% 143,711 10.50% 136,868 10.00%   Leverage ratio   Consolidated 158,479 8.65% 73,311 4.00% 73,311 4.00% N/A N/A   Bank 162,617 8.89% 73,186 4.00% 73,186 4.00% 91,483 5.00%

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-36 Note 14: Commitments and Credit Risk In the normal course of business, the Company makes various commitments to extend credit which are not reflected in the accompanying consolidated financial statements. At December 31, 2017 and 2016, the Company had outstanding loan commitments totaling approximately $155.4 million and $132.5 million, respectively. As of December 31, 2017, the Company leased office facilities under various operating leases. The leases may be subject to additional payments based on building operating costs and property taxes in excess of specified amounts. The Company recorded rental expense for all operating leases of $0.7 million, $0.6 million, and $0.5 million for the years ended December 31, 2017, 2016, and 2015 respectively. Future minimum cash lease payments are as follows: Amount 2018 $ 733 2019 747 2020 760 2021 315 2022 229 Thereafter 116 Total minimum payments required 1 $ 2,900 1 Minimum payments have not been reduced by minimum sublease rentals of $1.6 million due in the future under noncancelable subleases. In addition, the Company is a limited partner in a Small Business Investment Company fund (the "SBIC Fund"). As of December 31, 2017, the Company has committed to contribute up to $3.2 million of capital to the SBIC Fund. Note 15: Fair Value of Financial Instruments ASC Topic 820, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASU Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value: Level 1 Quoted prices in active markets for identical assets or liabilities Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities
Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. Available-for-Sale Securities Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. Government-sponsored agencies, municipal securities, mortgage and asset-backed securities and certain corporate securities. Matrix pricing is a mathematical technique widely used in the banking industry

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-37 to value investment securities without relying exclusively on quoted prices for specific investment securities but also on the investment securities' relationship to other benchmark quoted investment securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Fair values are calculated using discounted cash flows. Discounted cash flows are calculated based off of the anticipated future cash flows updated to incorporate loss severities. Rating agency and industry research reports as well as default and deferral activity are reviewed and incorporated into the calculation. The Company did not own any securities classified within Level 3 of the hierarchy as of December 31, 2017 or 2016. Loans Held-for-Sale (mandatory pricing agreements) The fair value of loans held-for-sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan (Level 2). Interest Rate Swap Agreements The fair values of interest rate swap agreements are estimated using current market interest rates as of the balance sheet date and calculated using discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy. Forward Contracts The fair values of forward contracts on to-be-announced securities are determined using quoted prices in active markets, or benchmarked thereto (Level 1). Interest Rate Lock Commitments The fair values of IRLCs are determined using the projected sale price of individual loans based on changes in market interest rates, projected pull-through rates (the probability that an IRLC will ultimately result in an originated loan), the reduction in the value of the applicant's option due to the passage of time, and the remaining origination costs to be incurred based on management's estimate of market costs (Level 3).

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-38 The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016. December 31, 2017 Fair Value Measurements Using Fair Value Quoted Prices in Active Markets for Identical Assets (Level 1) Significant Other Observable Inputs (Level 2) Significant Unobservable Inputs (Level 3) U.S. Government-sponsored agencies $ 133,190 $ — $ 133,190 $ — Municipal securities 96,377 — 96,377 — Mortgage-backed securities 209,720 — 209,720 — Asset-backed securities 5,009 — 5,009 — Corporate securities 26,047 — 26,047 — Othe securities 2,932 2,932 — — Total available-for-sale securities $ 473,275 $ 2,932 $ 470,343 $ — Interest rate swaps (271) — (271) — Loans held-for-sale (mandatory pricing agreements) 23,571 — 23,571 — Forward contracts (80) (80) — — IRLC 551 — — 551 December 31, 2016 Fair Value Measurements Using Fair Value Quoted Prices in Active Markets for Identical Assets (Level 1) Significant Other Observable Inputs (Level 2) Significant Unobservable Inputs (Level 3) U.S. Government-sponsored agencies $ 91,896 $ — $ 91,896 $ — Municipal securities 91,886 — 91,886 — Mortgage-backed securities 231,641 — 231,641 — Asset-backed securities 19,534 — 19,534 — Corporate securities 18,811 18,811 Other securities 2,932 2,932 — — Total available-for-sale securities $ 456,700 $ 2,932 $ 453,768 $ — Loans held-for-sale (mandatory pricing agreements) 27,101 — 27,101 — Forward contracts 438 438 — — IRLCs 610 — —

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-39 The following table reconciles the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheets using significant unobservable (Level 3) inputs. Interest Rate Lock Commitments Balance as of January 1, 2015 $ 521 Total realized gains (losses) Included in net income 61 Included in other comprehensive income — Sales — Balance, December 31, 2015 582 Total realized gains Included in net income 28 Balance, December 31, 2016 610 Total realized gains Included in net income (59) Balance, December 31, 2017 $ 551 The following describes the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis, as well as the general classification of such assets pursuant to the valuation hierarchy. Impaired Loans (Collateral Dependent) Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. The amount of the impairment may be determined based on the fair value of the underlying collateral, less costs to sell, the estimated present value of future cash flows or the loan's observable market price. If the impaired loan is identified as collateral dependent, the fair value of the underlying collateral, less costs to sell, is used to measure impairment. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. If the impaired loan is not collateral dependent, the Company utilizes a discounted cash flow analysis to measure impairment. Impaired loans with a specific valuation allowance based on the value of the underlying collateral or a discounted cash flow analysis are classified as Level 3 assets. There were no impaired loans that were measured at fair value on a nonrecurring basis at December 31, 2017 or 2016. Unobservable (Level 3) Inputs The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements other than goodwill. Fair Value at December 31, 2017 Valuation Technique Unobservable Inputs Range IRLCs $ 551 Discounted cash flow Loan closing rates 39% - 100% Fair Value at December 31, 2016 Valuation Technique Unobservable Inputs Range IRLCs $ 610 Discounted cash flow Loan closing rates 43% - 99%

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-40 The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value: Cash and Cash Equivalents For these instruments, the carrying amount is a reasonable estimate of fair value. Interest-Bearing Time Deposits The fair value of these financial instruments approximates carrying value. Held-to-Maturity Securities Fair values are determined by using models that are based on security-specific details, as well as relevant industry and economic factors. The most significant of these inputs are quoted market prices, and interest rate spreads on relevant benchmark securities. Loans Held-For-Sale (best efforts pricing agreements) The fair value of these loans approximates carrying value. Loans The fair value of loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. Accrued Interest Receivable The fair value of these financial instruments approximates carrying value. Federal Home Loan Bank of Indianapolis Stock The fair value approximates carrying value. Deposits The fair value of noninterest-bearing and interest-bearing demand deposits, savings and money market accounts approximates carrying value. The fair value of fixed maturity certificates of deposit and brokered deposits are estimated using rates currently offered for deposits of similar remaining maturities. Advances from Federal Home Loan Bank The fair value of fixed rate advances is estimated using rates currently offered for similar remaining maturities. The carrying value of variable rate advances approximates fair value. Subordinated Debt The fair value of the Company’s publicly traded subordinated debt is obtained from quoted market prices. The fair value of the Company’s remaining subordinated debt is estimated using discounted cash flow analysis, based on current borrowing rates for similar types of debt instruments. Accrued Interest Payable The fair value of these financial instruments approximates carrying value.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-41 Commitments The fair value of commitments to extend credit are based on fees currently charged to enter into similar agreements with similar maturities and interest rates. The Company determined that the fair value of commitments was zero based on the contractual value of outstanding commitments at December 31, 2017 and 2016. The following tables summarize the carrying value and estimated fair value of all financial assets and liabilities at December 31, 2017 and 2016: December 31, 2017 Fair Value Measurements Using Carrying Amount Fair Value Quoted Prices In Active Market for Identical Assets (Level 1) Significant Other Observable Inputs (Level 2) Significant Unobservable Inputs (Level 3) Cash and cash equivalents $ 47,981 $ 47,981 $ 47,981 $ — $ — Held-to-maturity securities 19,209 19,083 — 19,083 — Loans held-for-sale (best efforts pricing agreements) 27,835 27,835 — 27,835 — Net loans 2,091,193 2,051,545 — — 2,051,545 Accrued interest receivable 11,944 11,944 11,944 — — Federal Home Loan Bank of Indianapolis stock 19,575 19,575 — 19,575 — Deposits 2,084,941 2,057,708 688,800 — 1,368,908 Advances from Federal Home Loan Bank 410,176 397,950 — 397,950 — Subordinated debt 36,726 39,972 26,520 13,452 — Accrued interest payable 311 311 311 — — December 31, 2016 Fair Value Measurements Using Carrying Amount Fair Value Quoted Prices In Active Market for Identical Assets (Level 1) Significant Other Observable Inputs (Level 2) Significant Unobservable Inputs (Level 3) Cash and cash equivalents $ 39,452 $ 39,452 $ 39,452 $ — $ — Interest-bearing time deposits 250 250 250 — — Held-to-maturit securities 16,671 16,197 — 16,197 — Net loans 1,250,789 1,244,918 — — 1,244,918 Accrued interest receivable 6,708 6,708 6,708 — — Federal Home Loan Bank of Indianapolis stock 8,910 8,910 — 8,910 — Deposits 1,462,867 1,441,794 492,435 — 949,359 Advances from Federal Home Loan Bank 189,981 186,258 — 186,258 — Subordinated debt 36,578 38,425 24,900 13,525 — Accrued interest payable 112 112 112 — —

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-42 Note 16: Mortgage Banking Activities The Company's residential real estate lending business originates mortgage loans for customers and sells a majority of the originated loans into the secondary market. The Company hedges its mortgage banking pipeline by entering into forward contracts for the future delivery of mortgage loans to third party investors and entering into IRLCs with potential borrowers to fund specific mortgage loans that will be sold into the secondary market. To facilitate the hedging of the loans, the Company has elected the fair value option for loans originated and intended for sale in the secondary market under mandatory pricing agreements. Changes in the fair value of loans held-for-sale, IRLCs and forward contracts are recorded in the mortgage banking activities line item within noninterest income. Refer to Note 17 for further information on derivative financial instruments. During the years ended December 31, 2017, 2016, and 2015, the Company originated mortgage loans held-for-sale of $412.9 million, $598.4 million, and $502.7 million, respectively, and received $425.3 million, $619.8 million, and $509.4 million from the sale of mortgage loans, respectively, into the secondary market. During 2017, the Company also sold $42.3 of residential mortgage loans that were originally held for investment. The following table provides the components of income from mortgage banking activities for the years ended December 31, 2017, 2016, and 2015. Year Ended December 31, 2017 2016 2015 Gain on loans sold $ 7,775 $ 12,462 $ 8,845 Gain (loss) resulting from the change in fair value of loans held-for-sale 638 (500) (341) Gain (loss) resulting from the change in fair value of derivatives (577) 436 496 Net revenue from mortgage banking activities $ 7,836 $ 12,398 $ 9,000

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-43 Note 17: Derivative Financial Instruments The Company uses derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Company enters into interest rate swap agreements as part of its asset/liability management strategy to help manage its interest rate risk position. Additionally, the Company enters into forward contracts for the future delivery of mortgage loans to third party investors and enters into IRLCs with potential borrowers to fund specific mortgage loans that will be sold into the secondary market. The forward contracts are entered into in order to economically hedge the effect of changes in interest rates resulting from the Company's commitment to fund the loans. During 2017, the Company entered into various interest rate swap agreements designated and qualifying as accounting hedges. Designating an interest rate swap as an accounting hedge allows the Company to recognize gains and losses, less any ineffectiveness, in the income statement within the same period that the hedged item affects earnings. The Company includes the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the related interest rate swaps. The fair value of interest rate swaps with a positive fair value are reported in accrued income and other assets in the consolidated balance sheets while interest rate swaps with a negative fair value are reported in accrued expenses and other liabilities in the consolidated balance sheets. The IRLCs and forward contracts are not designated as accounting hedges, and are recorded at fair value with changes in fair value reflected in noninterest income on the consolidated statements of income. The fair value of derivative instruments with a positive fair value are reported in accrued income and other assets in the consolidated balance sheets while derivative instruments with a negative fair value are reported in accrued expenses and other liabilities in the consolidated balance sheets. The following table presents amounts that were recorded on the balance sheet related to cumulative basis adjustments for interest rate swap derivatives designated as fair value accounting hedges as of December 31, 2017 and 2016. Carrying amount of the hedged assets Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assetsLine item in the consolidated balancesheet in which the hedged item is included December 31, 2017 December 31, 2016 December 31, 2017 December 31, 2016 Loans $ 91,653 $ — $ (263) $ — Securities available-for-sale(1) 92,230 — (8) — (1) These amounts include the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At December 31, 2017 and 2016, the amounts of the designated hedged items were $50.0 million and $0.0 million, respectively.

First Internet Bancorp   Notes to Consolidated Financial Statements   (Tabular dollar amounts in thousands except per share data)   F-44   The following table presents a summary of interest rate swap derivatives designated as fair value accounting hedges of   fixed-rate receivables used in the Company's asset/liability management activities at December 31, 2017, identified by   the underlying interest rate-sensitive instruments.   Weighted   Average   Remaining Maturity   (years)   Weighted-Average Rate   Instruments Associated With   Notional   Value Fair Value Receive Pay Loans $ 91,135 7.9 $ (263) 3 month LIBOR 2.44%   Securities available-for-sale 50,000 6.8 (8) 3 month LIBOR 2.33%   Total swap portfolio at December 31, 2017 $ 141,135 7.5 $ (271) 3 month LIBOR 2.41%   These derivative financial instruments were entered into for the purpose of managing the interest rate risk of certain assets.   The pay-fixed/receive-variable calculations of the above swap transactions have deferred start dates of approximately   one year from each trade date. As each of these derivative transactions were entered into during the fourth quarter 2017,   these interest rate swap transactions had no impact on interest income during 2017. At December 31, 2017, the Company   pledged $0.7 million of cash collateral to counterparties as security for its obligations related to these interest rate swap   transactions.   The following table presents the notional amount and fair value of interest rate swaps, IRLCs and forward contracts   utilized by the Company at December 31, 2017 and 2016.   December 31, 2017 December 31, 2016   Notional   Amount   Fair   Value   Notional   Amount   Fair   Value   Asset Derivatives   Derivatives designated as hedging instruments   Interest rate swaps associated with loans $ 17,900 $ 3 $ — $ — Derivatives not designated as hedging instruments   IRLCs 26,394 551 36,311 610   Forward contracts 51,124 (80) 61,000 438   Total contracts $ 95,418 $ 474 $ 97,311 $ 1,048   Liability Derivatives   Derivatives designated as hedging instruments   Interest rate swaps associated with loans $ 73,235 $ (266) $ — $ —   Interest rate swaps associated with securities   available-for-sale 50,000 (8) — —   Total contracts $ 123,235 $ (274) $ — $ —

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-45 The fair value of interest rate swaps were estimated using a discounted cash flow method that incorporates current market interest rates as of the balance sheet date. Fair values of IRLCs and forward contracts were estimated using changes in mortgage interest rates from the date the Company entered into the IRLC and the balance sheet date. The following table summarizes the periodic changes in the fair value of the derivative financial instruments on the consolidated statements of income for the twelve months ended December 31, 2017, 2016, and 2015. The derivatives designated as hedging instruments had no impact on the consolidated statements of income for the twelve months ended December 31, 2017, 2016 and 2015. Amount of gain / (loss) recognized in the twelve months ended December 31, 2017 December 31, 2016 December 31, 2015 Asset Derivatives Derivatives not designated as hedging instruments IRLCs (59) 28 61 Forward contracts (519) 408 435 Note 18: Shareholders' Equity In September 2017, the Company completed an underwritten public offering of 1,650,000 shares of its common stock at a price of $29.00 per share. The Company received net proceeds of approximately $44.8 million after deducting underwriting discounts and commissions and offering expenses. In addition, the Company granted the underwriters a 30-day option to purchase up to an additional 247,500 shares of its common stock. The Company closed on the 247,500 additional shares in September 2017 and received net proceeds of approximately $6.8 million, after deducting underwriting discounts and commissions and offering expenses. In December 2016, the Company and the Bank entered into an Underwriting Agreement, pursuant to which the Company sold 945,000 shares of common stock at $26.50 per share, resulting in net proceeds to the Company of $23.4 million. In May 2016, the Company and the Bank entered into an Underwriting Agreement, pursuant to which the Company sold an additional 895,955 shares of common stock at $24.00 per share, resulting in net proceeds to the Company of $19.7 million. In May 2016, the Company and the Bank entered into a Sales Agency Agreement to sell shares (the "ATM Shares") of the Company's common stock having an aggregate gross sales price of up to $25.0 million, from time to time, through an "at-the-market" equity offering program (the "ATM Program"). The sales, if any, of the ATM Shares, may be made in sales deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on or through The Nasdaq Stock Market, or another market for the Company's common stock, sales made to or through a market maker other than on an exchange or otherwise, in negotiated transactions at market prices prevailing at the time of sale or at negotiated prices, or as otherwise agreed with the sales agent. Subject to the terms and conditions of the Sales Agency Agreement, upon its acceptance of written instructions from the Company, the sales agent will use its commercially reasonable efforts to sell on the Company's behalf all of the designated ATM Shares. The Sales Agency Agreement provides for the Company to pay the sales agent a commission of up to 3.0% of the gross sales price per share sold through it as sales agent under the Sales Agency Agreement. The Company may also sell ATM Shares under the Sales Agency Agreement to the sales agent, as principal for its own account, at a price per share agreed upon at the time of sale. Actual sales will depend on a variety of factors to be determined by the Company from time to time. The Company has no obligation to sell any of the ATM Shares under the Sales Agency Agreement, and may at any time suspend solicitation and offers under the Sales Agency Agreement. In addition, the Company has agreed to indemnify the sales agent against certain liabilities on customary terms. The Company has sold a total of 139,811 ATM Shares through the ATM Program for net proceeds of approximately $3.1 million. As of December 31, 2017, approximately $21.6 million remained available for sale under the ATM Program.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-46 Note 19: Condensed Financial Information (Parent Company Only) Presented below is condensed financial information as to financial position, results of operations, and cash flows of the Company on a non-consolidated basis: Condensed Balance Sheets Year Ended December 31, 2017 2016 Assets Cash and cash equivalents $ 32,810 $ 29,365 Investment in common stock of subsidiaries 223,008 158,080 Premises and equipment, net 6,576 6,852 Accrued income and other assets 3,114 1,488 Total assets $ 265,508 $ 195,785 Liabilities and shareholders' equity Subordinated debt, net of unamortized discounts and debt issuance costs of $1,274 in 2017 and $1,422 in 2016 $ 36,726 $ 36,578 Note payable to the Bank 3,600 4,000 Accrued expenses and other liabilities 1,055 1,265 Total liabilities 41,381 41,843 Shareholders' equity 224,127 153,942 Total liabilities and shareholders' equity $ 265,508 $ 195,785 Condensed Statements of Income Year Ended December 31, 2017 2016 2015 Expenses Interest on borrowings $ 2,724 $ 1,557 $ 643 Salaries and employee benefits 354 344 425 Consulting and professional fees 664 871 930 Premises and equipment 302 291 200 Other 258 235 174 Total expenses 4,302 3,298 2,372 Loss before income tax and equity in undistributed net income of subsidiaries (4,302) (3,298) (2,372) Income tax benefit (1,539) (1,224) (813) Loss before equity in undistributed net income of subsidiaries (2,763) (2,074) (1,559) Equity in undistributed net income of subsidiaries 17,989 14,148 10,488 Net income $ 15,226 $ 12,074 $ 8,929

First Internet Bancorp   Notes to Consolidated Financial Statements   (Tabular dollar amounts in thousands except per share data)   F-47   Condensed Statements of Comprehensive Income   Year Ended December 31,   2017 2016 2015   Net income $ 15,226 $ 12,074 $ 8,929   Other comprehensive income (loss)   Net unrealized holding gains (losses) on securities available-for-sale 6,280 (12,315) (1,669)   Reclassification adjustment for losses (gains) realized 8 (177) —   Other comprehensive income (loss) before tax 6,288 (12,492) (1,669)   Income tax provision (benefit) 2,039 (4,433) (595)   Other comprehensive income (loss) - net of tax 4,249 (8,059) (1,074)   Comprehensive income $ 19,475 $ 4,015 $ 7,855   Condensed Statements of Cash Flows   Year Ended December 31,   2017 2016 2015   Operating activities   Net income $ 15,226 $ 12,074 $ 8,929   Adjustments to reconcile net income to net cash provided by operating activities: Equity in undistributed net income of subsidiaries (17,989) (14,148) (10,488)   Depreciation and amortization 572 461 246   Share-based compensation expense 175 128 150   Net change in other assets (1,453) (696) 958   Net change in other liabilities (326) 870 (275)   Net cash used in operating activities (3,795) (1,311) (480)   Investing activities   Capital contribution to the Bank (42,000) (43,500) (10,000)   Purchase of premises and equipment (148) (1,423) (1,407)   Net cash used in investing activities (42,148) (44,923) (11,407)   Financing activities   Cash dividends paid (1,675) (1,199) (1,093)   Net proceeds from issuance of subordinated debt — 23,757 9,761   Principal payment on loan from the Bank (400) — —   Net proceeds from common stock issuance 51,636 46,223 —   Other, net (173) (42) 23   Net cash provided by financing activities 49,388 68,739 8,691   Net increase (decrease) in cash and cash equivalents 3,445 22,505 (3,196)   Cash and cash equivalents at beginning of year 29,365 6,860 10,056   Cash and cash equivalents at end of year $ 32,810 $ 29,365 $ 6,860

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-48 Note 20: Quarterly Financial Data (unaudited) Three Months Ended December 31, 2017 September 30, 2017 June 30, 2017 March 31, 2017 Income Statement Data: Interest income $ 24,638 $ 22,694 $ 19,975 $ 17,390 Interest expense 9,278 8,503 7,001 5,933 Net interest income 15,360 14,191 12,974 11,457 Provision for loan losses 1,179 1,336 1,322 1,035 Net interest income after provision for loan losses 14,181 12,855 11,652 10,422 Noninterest income 2,539 3,135 2,736 2,131 Noninterest expense 9,701 9,401 8,923 8,698 Income before income taxes 7,019 6,589 5,465 3,855 Income tax provision 3,521 1,694 1,464 1,023 Net income $ 3,498 $ 4,895 $ 4,001 $ 2,832 Per Share Data: Net income Basic $ 0.41 $ 0.72 $ 0.61 $ 0.43 Diluted $ 0.41 $ 0.71 $ 0.61 $ 0.43 Weighted average common shares outstanding Basic 8,490,951 6,834,011 6,583,515 6,547,807 Diluted 8,527,599 6,854,614 6,597,991 6,602,200 Three Months Ended December 31, 2016 September 30, 2016 June 30, 2016 March 31, 2016 Income Statement Data: Interest income $ 16,764 $ 15,471 $ 13,971 $ 12,693 Interest expense 5,860 5,133 4,665 3,552 Net interest income 10,904 10,338 9,306 9,141 Provision for loan losses 256 2,204 924 946 Net interest income after provision for loan losses 10,648 8,134 8,382 8,195 Noninterest income 2,891 4,898 3,748 2,540 Noninterest expense 8,158 8,413 7,875 7,005 Income before income taxes 5,381 4,619 4,255 3,730 Income tax provision 1,671 1,521 1,421 1,298 Net income $ 3,710 $ 3,098 $ 2,834 $ 2,432 Per Share Data: Net income Basic $ 0.65 $ 0.55 $ 0.57 $ 0.54 Diluted $ 0.64 $ 0.55 $ 0.57 $ 0.53 Weighted average common shares outstanding Basic 5,722,615 5,597,867 4,972,759 4,541,728 Diluted 5,761,931 5,622,181 4,992,025 4,575,555

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-49 Note 21: Recent Accounting Pronouncements Accounting Standards Update ("Update") 2014-09, Revenue from Contracts with Customers (Topic 606) (May 2014) The amendments in this Update clarify the principles for recognizing revenue and develop a common revenue standard among industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides steps to follow to achieve the core principle. An entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The entity should apply the amendments using one of two retrospective methods described in the amendment. Accounting Standard Update 2015-14, Revenue from Contracts with Customers (Topic 606) delayed the effective date for public entities to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Several subsequent amendments have been issued that provide clarifying guidance and are effective with the adoption of the original Update. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The guidance does not apply to revenues associated with financial instruments, including loans and investment securities. This guidance will not have a material impact on the condensed consolidated financial statements, as the Company's most significant sources of revenue are excluded from the scope of Topic 606. Accounting Standards Update 2016-02, Leases (Topic 842) (February 2016) In February 2016, the FASB amended its standards with respect to the accounting for leases. The Update replaces all current GAAP guidance on this topic and requires that an operating lease be recognized by the lessee on the balance sheet as a "right-of-use" asset along with a corresponding liability representing the rent obligation. Key aspects of current lessor accounting remain unchanged from existing guidance. The resulting standard is expected to result in an increase to assets and liabilities recognized and, therefore, increase risk-weighted assets for regulatory capital purposes. The amended standard requires the use of the modified retrospective transition approach for existing leases that have not expired before the date of initial application and will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Earlier adoption of the amended standard is permitted. The Company does not expect to early adopt and is currently in the process of fully evaluating the impact adoption of the amended standard may have on the condensed consolidated financial statements and will subsequently implement updated processes and accounting policies as deemed necessary. The overall impact of the new standard on the Company's financial condition, results of operations and regulatory capital is not yet determinable. Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (June 2016) The main objective of this Update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Update affects entities holding financial assets that are not accounted for at fair value through net income. The amendments affect loans, debt securities, off-balance-sheet credit exposures, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this Update affect an entity to varying degrees depending on the credit quality of the assets held by the entity, their duration, and how the entity applies current GAAP. There is diversity in practice in applying the incurred loss methodology, which means that before transition some entities may be more aligned, under current GAAP than others to the new measure of expected credit losses. The following describes the main provisions of this Update.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-50 • Assets Measured at Amortized Cost: The amendments in this Update require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. • Available-for-Sale Debt Securities: Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. Available-for-sale accounting recognizes that value may be realized either through collection of contractual cash flows or through sale of the security. Therefore, the amendments limit the amount of the allowance for credit losses to the amount by which fair value is below amortized cost because the classification as available-for-sale is premised on an investment strategy that recognizes that the investment could be sold at fair value, if cash collection would result in the realization of an amount less than fair value. For public business entities that are SEC filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. An entity will apply the amendments in this Update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this Update. The Company does not expect to early adopt and is currently evaluating the impact of the amendments on the Company’s consolidated financial statements and cannot determine or reasonably quantify the impact of the adoption of the amendments due to the complexity and extensive changes. The Company intends to develop processes and procedures during the next two years to ensure it is fully compliant with the amendments at adoption date. The Company has formed an implementation committee and has begun evaluating the data needed for implementation as well as considering appropriate methodologies. Accounting Standards Update 2017-12 - Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (August 2017) The new standard refines and expands hedge accounting for both financial (e.g., interest rate) and commodity risks. Its provisions create more transparency around how economic results are presented, both on the face of the financial statements and in the footnotes, for investors and analysts. For public business entities that are SEC filers, the new standard takes effect for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted in any interim period or fiscal years before the effective date of the standard. The Company expects this pronouncement will allow it to manage its interest rate risk related to longer term fixed rate assets using strategies that were previously inaccessible under the former accounting guidance. The Company chose to early adopt this pronouncement. This is discussed further in Note 17.

First Internet Bancorp Notes to Consolidated Financial Statements (Tabular dollar amounts in thousands except per share data) F-51 Accounting Standards Update 2018-02 - Income Statement - Reporting Comprehensive Income (Topic 820): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (February 2018) The amendments in this Update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting form the Tax Act. Consequently, the amendments eliminate the stranded tax effects resulting form the Tax Act and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The amendments in this Update also require certain disclosures about stranded tax effects. The amendments in this Update are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period for public business entities for reporting periods for which the financial statements have not yet been issued. The amendments in this Update should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recognized. The Company is currently evaluating the impact of adopting this Update on the consolidated financial statements, but it is not expected to have a significant effect.

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