

First Internet Bancorp
Form 10-Q
November 09, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____.

Commission File Number 001-35750

First Internet Bancorp

(Exact Name of Registrant as Specified in Its Charter)

Indiana	20-3489991
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

11201 USA Parkway	46037
Fishers, IN	
(Address of Principal Executive Offices)	(Zip Code)
(317) 532-7900	
(Registrant's Telephone Number, Including Area Code)	

(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input checked="" type="checkbox"/>
Non-accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>
Emerging growth company <input type="checkbox"/>	

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes " No

As of November 2, 2018, the registrant had 10,181,675 shares of common stock issued and outstanding.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the federal securities laws. These statements are not historical facts, but rather statements based on the current expectations of First Internet Bancorp and its consolidated subsidiaries (“we,” “our,” “us” or the “Company”) regarding its business strategies, intended results and future performance. Forward-looking statements are generally preceded by terms such as “anticipate,” “believe,” “can,” “estimate,” “expect,” “intend,” “may,” “plan,” “should” and similar expressions. Such statements are subject to risks and uncertainties including: general economic conditions, whether national or regional, and conditions in the lending markets in which we participate that may have an adverse effect on the demand for our loans and other products; our credit quality and related levels of nonperforming assets and loan losses, and the value and salability of the real estate that we own or that is the collateral for our loans; failures or breaches of or interruptions in the communication and information systems on which we rely to conduct our business that could reduce our revenues, increase our costs or lead to disruptions in our business; our plans to grow our commercial real estate, commercial and industrial, public finance and healthcare finance loan portfolios which may carry greater risks of non-payment or other unfavorable consequences; our dependence on capital distributions from First Internet Bank of Indiana (the “Bank”); results of examinations of us by our regulators, including the possibility that our regulators may, among other things, require us to increase our allowance for loan losses or to write-down assets; changing bank regulatory conditions, policies or programs, whether arising as new legislation or regulatory initiatives, that could lead to restrictions on activities of banks generally, or the Bank in particular; more restrictive regulatory capital requirements; increased costs, including deposit insurance premiums; regulation or prohibition of certain income producing activities or changes in the secondary market for loans and other products; changes in market rates and prices that may adversely impact the value of securities, loans, deposits and other financial instruments and the interest rate sensitivity of our balance sheet; our liquidity requirements being adversely affected by changes in our assets and liabilities; the effect of legislative or regulatory developments, including changes in laws concerning taxes, banking, securities, insurance and other aspects of the financial services industry; competitive factors among financial services organizations, including product and pricing pressures and our ability to attract, develop and retain qualified banking professionals; execution of future acquisition, reorganization or disposition transactions including without limitation, the related time and costs of implementing such transactions, integrating operations as part of these transactions and possible failures to achieve expected gains, revenue growth and/or expense savings and other anticipated benefits from such transactions; changes in applicable tax laws; the growth and profitability of noninterest or fee income being less than expected; the loss of any key members of senior management; the effect of changes in accounting policies and practices, as may be adopted by the Financial Accounting Standards Board (the “FASB”), the Securities and Exchange Commission (the “SEC”), the Public Company Accounting Oversight Board (the “PCAOB”) and other regulatory agencies; and the effect of fiscal and governmental policies of the United States federal government. Additional factors that may affect our results include those discussed in our most recent Annual Report on Form 10-K under the heading “Risk Factors” and in other reports filed with the SEC. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The factors listed above could affect our financial performance and could cause our actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

Except as required by law, we do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

PART I

ITEM 1. FINANCIAL STATEMENTS

First Internet Bancorp

Condensed Consolidated Balance Sheets

(Amounts in thousands except share data)

	September 30, 2018	December 31, 2017
	(Unaudited)	
Assets		
Cash and due from banks	\$ 3,517	\$ 4,539
Interest-bearing deposits	82,273	43,442
Total cash and cash equivalents	85,790	47,981
Securities available-for-sale, at fair value (amortized cost of \$491,726 and \$481,357 in 2018 and 2017, respectively)	468,997	473,275
Securities held-to-maturity, at amortized cost (fair value of \$19,510 and \$19,083 in 2018 and 2017, respectively)	20,200	19,209
Loans held-for-sale (includes \$23,493 and \$23,571 at fair value in 2018 and 2017, respectively)	23,493	51,407
Loans	2,493,622	2,091,193
Allowance for loan losses	(16,704) (14,970
Net loans	2,476,918	2,076,223
Accrued interest receivable	14,472	11,944
Federal Home Loan Bank of Indianapolis stock	22,050	19,575
Cash surrender value of bank-owned life insurance	35,819	35,105
Premises and equipment, net	10,041	10,058
Goodwill	4,687	4,687
Other real estate owned	5,041	5,041
Accrued income and other assets	35,410	13,182
Total assets	\$ 3,202,918	\$ 2,767,687
Liabilities and Shareholders' Equity		
Liabilities		
Noninterest-bearing deposits	\$ 42,750	\$ 44,686
Interest-bearing deposits	2,403,814	2,040,255
Total deposits	2,446,564	2,084,941
Advances from Federal Home Loan Bank	425,160	410,176
Subordinated debt, net of unamortized discounts and debt issuance costs of \$1,163 and \$1,274 in 2018 and 2017, respectively	33,837	36,726
Accrued interest payable	887	311
Accrued expenses and other liabilities	8,730	11,406
Total liabilities	2,915,178	2,543,560
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock, no par value; 4,913,779 shares authorized; issued and outstanding - none	—	—
Voting common stock, no par value; 45,000,000 shares authorized; 10,181,675 and 8,411,077 shares issued and outstanding in 2018 and 2017, respectively	227,454	172,043
	—	—

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Nonvoting common stock, no par value; 86,221 shares authorized; issued and
outstanding - none

Retained earnings	74,733	57,103
Accumulated other comprehensive loss	(14,447)	(5,019)
Total shareholders' equity	287,740	224,127
Total liabilities and shareholders' equity	\$ 3,202,918	\$ 2,767,687

See Notes to Condensed Consolidated Financial Statements

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First Internet Bancorp

Condensed Consolidated Statements of Income – Unaudited

(Amounts in thousands except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Interest Income				
Loans	\$26,019	\$ 18,922	\$71,833	\$ 49,494
Securities – taxable	2,659	2,582	7,703	7,515
Securities – non-taxable	698	697	2,109	2,090
Other earning assets	847	493	1,973	960
Total interest income	30,223	22,694	83,618	60,059
Interest Expense				
Deposits	11,650	6,594	29,146	16,617
Other borrowed funds	2,603	1,909	7,626	4,820
Total interest expense	14,253	8,503	36,772	21,437
Net Interest Income	15,970	14,191	46,846	