



FOR IMMEDIATE RELEASE  
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FOR ADDITIONAL INFORMATION  
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**NORTHEAST INDIANA BANCORP, INC.  
POSTS STRONG THIRD QUARTER EARNINGS**

**HUNTINGTON, INDIANA, --** Northeast Indiana Bancorp, Inc. (OTC Bulletin Board: NIDB), the parent company of First Federal Savings Bank, today announced net income of \$518,000 (\$0.42 per diluted common share) for the Company's third quarter ended September 30, 2009 compared to a net loss of (\$967,000) (\$0.79 per diluted common share) for the third quarter ended September 30, 2008. The prior year quarterly period contained non-cash other than temporary impairment ("OTTI") write-downs of \$1.7 million taken on FHLMC Preferred Shares and in the bank's investment in the Shay Ultrashort Mortgage Fund as well as specific reserves established of \$280,000 on four real estate owned properties. The current three months earnings equates to an annualized return on average assets (ROA) of 0.82% and a return on average equity (ROE) of 9.20%.

Net interest income increased sharply by \$341,000 or 19.4% to \$2.1 million for the quarter ended September 30, 2009 when compared to \$1.8 million for the quarter ended September 30, 2008. The Company's net interest margin increased significantly by sixty-five basis points to 3.53% for the current quarter compared to 2.88% in the year earlier quarter. On a linked quarter basis, the Company's 3.53% net interest margin was ten basis points higher during the current quarter ended September 30, 2009 compared to 3.43% during the quarter ended June 30, 2009.

The Company made a \$350,000 provision for loan loss during the quarter ended September 30, 2009 compared to a \$100,000 provision for loan loss for the quarter ended September 30, 2008. Management continues to feel it is prudent to increase the allowance for loan losses by setting aside provisions for loan losses at higher levels during these uncertain economic conditions. The Company experienced net charge-offs of \$89,000 for the quarter ended September 30, 2009 compared to net charge-offs of \$1.4 million for the quarter ended September 30, 2008.

Noninterest income increased to \$669,000 for the third quarter ended September 30, 2009 compared to (\$1.2 million) during the quarter ended September 30, 2008. The significant increase is mostly due to the OTTI write-downs discussed above on FHLMC preferred shares and the Shay fund during the prior quarterly period. Net gain on the sale of loans also increased \$177,000 or 316.4% to \$233,000 during the quarter ended September 30, 2009 due to increased sales volumes to FHLMC and the SBA.

Noninterest expense decreased \$68,000 from \$1.7 million for the quarter ended September 30, 2008 to \$1.6 million for the quarter ended September 30, 2009. The decrease was mostly due to no valuation allowances on repossessed assets for the current quarterly period compared to \$280,000 during the three months ended September 30, 2008.

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This sharp reduction was partially offset by increases in occupancy, wages, professional fees and FDIC insurance premiums between quarterly periods. Wages and occupancy increases were related to the opening of the bank's fifth full service branch in Fort Wayne, Indiana during the current quarter as well as an increase in property taxes on existing branches.

Net income for the nine months ended September 30, 2009 increased to \$1.5 million (\$1.24 per diluted common share) compared to a net loss of (\$200,000) (\$0.16 per diluted common share) for the nine months ended September 30, 2008. This increase is mostly due to the non-cash OTTI charges taken during the quarter ended September 30, 2008 as discussed above. Net interest income increased \$1.2 million or 25.5% to \$6.1 million for the nine months ended September 30, 2009 compared to \$4.9 million for the prior year nine month period. Noninterest income increased sharply due to the OTTI charges in the prior year period but net gain on sale of loans also increased \$552,000 or 500% between periods. Noninterest expense was higher for the nine months ended September 30, 2009 primarily due to the sharp increase of \$256,000 or 366% in FDIC insurance premiums between nine month periods. Most noninterest expense increases were partially offset by a reduction in valuation allowances on repossessed assets of \$360,000 during the prior year nine month period.

Total assets decreased \$12.7 million or 4.9% to \$247.5 million at September 30, 2009 compared to December 31, 2008 assets of \$260.2 million. The asset decline is primarily due to large noninterest bearing funds on hand at year end 2008 clearing early in first quarter 2009 as well as a reduction in single family portfolio mortgage balances due to most fixed rate originations being sold servicing retained to FHLMC. Net loans decreased \$7.1 million to \$197.1 million at September 30, 2009 compared to \$204.2 million at December 31, 2008. Total deposits increased \$2.4 million to \$158.1 million at September 30, 2009 from \$155.7 million at December 31, 2008. Borrowed funds decreased \$15.7 million to \$64.3 million at September 30, 2009 compared to \$80.0 million at December 31, 2008. Proceeds from the sale of fixed rate mortgages to FHLMC were used to pay down borrowed funds.

Shareholders' equity at September 30, 2009 was \$22.9 million compared to \$21.8 million at December 31, 2008. The book value of NEIB's stock was \$18.60 per common share as of September 30, 2009. The number of outstanding common shares was 1,230,670. The last reported trade of the stock on October 12, 2009 was \$9.25 per common share.

Northeast Indiana Bancorp, Inc. is headquartered at 648 N. Jefferson Street, Huntington, Indiana. The company offers a full array of banking and financial brokerage services to its customers through its main office in Huntington and four full-service Indiana offices in Huntington (2), Warsaw and Fort Wayne. The Company is traded on the Over the Counter Bulletin Board under the symbol "NIDB". Our web site address is [www.firstfedindiana.com](http://www.firstfedindiana.com).

This press release may contain forward-looking statements, which are based on management's current expectations regarding economic, legislative and regulatory issues. Factors which may cause future results to vary materially include, but are not limited to, general economic conditions, changes in interest rates, loan demand, and competition. Additional factors include changes in accounting principles, policies or guidelines; changes in legislation or regulation; and other economic, competitive, regulatory and technological factors affecting each company's operations, pricing, products and services.

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**NORTHEAST INDIANA BANCORP**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**

<i>ASSETS</i>	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Interest-earning cash and cash equivalents	\$ 1,957,446	\$ 6,122,439
Noninterest earning cash and cash equivalents	1,732,062	2,284,062
Total cash and cash equivalents	3,689,508	8,406,501
Securities available for sale	32,545,085	33,022,602
Securities held to maturity	550,000	550,000
Loans held for sale	168,000	709,400
Loans receivable, net of allowance for loan loss September 30, 2009 \$2,422,874 and December 31, 2008 \$1,750,605	197,114,642	204,171,179
Accrued interest receivable	1,012,825	1,070,708
Premises and equipment	2,181,119	2,178,416
Investments in limited liability partnerships	353,802	462,279
Cash surrender value of life insurance	6,442,915	6,253,417
Other assets	3,457,262	3,415,020
<b>Total Assets</b>	<b>\$ 247,515,158</b>	<b>\$ 260,239,522</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Non-interest bearing deposits	9,758,793	19,873,896
Interest bearing deposits	148,356,373	135,824,869
Borrowed Funds	64,268,992	79,982,575
Accrued interest payable and other liabilities	2,238,087	2,782,849
<b>Total Liabilities</b>	<b>224,622,245</b>	<b>238,464,189</b>
Retained earnings – substantially restricted	22,892,913	21,775,333
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 247,515,158</b>	<b>\$ 260,239,522</b>

**CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Total interest income	\$ 3,462,834	\$ 3,663,318	\$ 10,446,720	\$ 10,825,370
Total interest expense	1,369,172	1,910,458	4,351,652	5,968,852
Net interest income	\$ 2,093,662	\$ 1,752,860	\$ 6,095,068	\$ 4,856,518
Provision for loan losses	350,000	100,000	925,000	280,000
Net interest income after provision for loan losses	\$ 1,743,662	\$ 1,652,860	\$ 5,170,068	\$ 4,576,518
<i>Service charges on deposit accounts</i>	188,516	193,025	519,706	531,391
<i>Net (loss) on sale of securities</i>	(37,346)	(31,140)	(84,135)	(18,726)
<i>Other than temporary impairment-securities</i>	-	(1,677,916)	-	(1,677,916)
<i>Net gain on sale of loans</i>	232,774	55,903	662,010	110,390
<i>Net (loss) on sale of repossessed assets</i>	(33,064)	(5,822)	(126,656)	(15,554)
<i>Brokerage fees</i>	77,279	97,438	215,690	303,449
<i>Increase in cash surrender value of life insurance</i>	61,626	60,744	189,499	184,443
<i>Other income</i>	179,317	150,412	493,521	439,605
<b>Total noninterest income</b>	<b>\$ 669,102</b>	<b>\$ (1,157,356)</b>	<b>\$ 1,869,635</b>	<b>\$ (142,918)</b>
<i>Salaries and employee benefits</i>	817,746	752,334	2,314,347	2,314,924
<i>Occupancy</i>	234,574	168,315	629,670	566,815
<i>Data processing</i>	181,915	168,506	566,629	501,061
<i>Deposit insurance premiums</i>	90,000	62,188	326,000	69,954
<i>Professional fees</i>	89,276	44,930	202,156	117,756
<i>Correspondent bank charges</i>	28,729	30,837	91,448	101,867
<i>Valuation allowances – repossessed assets</i>	-	280,000	-	360,000
<i>Other expense</i>	204,388	207,471	644,631	625,465
<b>Total noninterest expenses</b>	<b>\$ 1,646,628</b>	<b>\$ 1,714,581</b>	<b>\$ 4,774,881</b>	<b>\$ 4,657,842</b>
<b>Income/(Loss) before income tax expense</b>	<b>\$ 766,136</b>	<b>\$ (1,219,077)</b>	<b>\$ 2,264,822</b>	<b>\$ (224,242)</b>
Income tax expense/(benefit)	248,048	(252,543)	737,567	(24,003)
<b>Net Income/(Loss)</b>	<b>\$ 518,088</b>	<b>\$ (966,534)</b>	<b>\$ 1,527,255</b>	<b>\$ (200,239)</b>

**NORTHEAST INDIANA BANCORP**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Basic Earnings per common share	0.42	(0.79)	1.24	(0.16)
Dilutive Earnings per share	0.42	(0.79)	1.24	(0.16)
Net interest margin	3.53%	2.88%	3.45%	2.76%
Return on average assets	0.82%	(1.49%)	0.81%	(0.11%)
Return on average equity	9.20%	(18.00%)	9.17%	(1.19%)
Efficiency ratio	59.60%	287.92% (2)	59.95%	98.82% (2)
Average shares outstanding- primary	1,228,539	1,226,989	1,228,060	1,265,799
Average shares outstanding- diluted	1,228,615	1,226,989	1,228,780	1,265,799

Allowance for loan losses:

Balance at beginning of period	\$ 2,161,415	\$ 2,855,624	\$ 1,750,605	\$ 2,712,378
Charge-offs:				
One-to-four family	9,695	32,616	203,962	32,616
Commercial real estate	-	1,469,710	-	1,469,710
Commercial	59,834	107,041	74,192	291,764
Consumer	26,493	13,283	144,030	25,275
Gross charge-offs	<u>96,022</u>	<u>1,622,651</u>	<u>422,184</u>	<u>1,819,365</u>
Recoveries:				
One-to-four family	625	-	1,755	-
Commercial real estate	-	226,858	-	226,588
Commercial	-	18,130	136,635	150,964
Consumer	6,856	13,243	31,063	40,639
Gross recoveries	<u>7,481</u>	<u>258,231</u>	<u>169,453</u>	<u>418,191</u>
Net charge-offs	88,541	1,364,420	252,731	1,401,174
Additions charged to operations	350,000	100,000	925,000	280,000
Balance at end of period	<u>\$ 2,422,874</u>	<u>\$ 1,591,204</u>	<u>\$ 2,422,874</u>	<u>\$ 1,591,204</u>

Net loan charge-offs to average loans (1)	0.18%	2.71%	0.17%	0.94%
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	At September 30,		At September 30,		At June 30,		At December 31,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Loans:								
Non-accrual	\$ 2,251	\$ 1,887	\$ 2,501	\$ 1,570	\$ -	\$ -	\$ -	\$ -
Past 90 days or more and still accruing	-	-	-	-	-	-	-	-
Troubled debt restructured	3,000	-	1,622	-	-	-	-	-
Total nonperforming loans	<u>5,251</u>	<u>1,887</u>	<u>4,123</u>	<u>1,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Real estate owned	1,556	1,242	1,498	1,423	-	-	-	-
Other repossessed assets	7	7	1	8	-	-	-	-
Total nonperforming assets	<u>\$ 6,184</u>	<u>\$ 3,136</u>	<u>\$ 5,622</u>	<u>\$ 3,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Nonperforming assets to total assets	2.75%	1.22%	2.28%	1.15%
Nonperforming loans to total loans	2.63%	0.93%	2.06%	0.76%
Allowance for loan losses to nonperforming loans	46.14%	84.31%	52.41%	111.53%
Allowance for loan losses to net loans receivable	1.21%	0.78%	1.09%	0.86%

	At September 30,	
	<u>2009</u>	<u>2008</u>
Stockholders' equity as a % of total assets	9.25%	8.37%
Book value per share	\$ 18.60	\$ 17.47
Common shares outstanding- EOP	1,230,670	1,230,670

(1) Ratios for the three-month periods are annualized.  
(2) Core efficiency ratios were 75.42% for 3 months ended 9/30/08 and 72.88% for 9 months ended 9/30/08 without OTTI

