United States Securities and Exchange Commission
Washington, D.C. 20549
Form 10-Q
(X) Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended September 30, 2002

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 0-14354

FIRST INDIANA CORPORATION

(Exact name of registrant as specified in its charter)

Indiana	35-1692825
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

135 North Pennsylvania Street, Indianapolis, IN	46204
(Address of principal executive office)	(Zip Code)

(317) 269-1200
(Registrant's telephone number, including area code)

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 (X) No ( )

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares
Common Stock, par value $0.01 per share	Outstanding at 10/25/2002 15,540,377

FIRST INDIANA CORPORATION AND SUBSIDIARIES
FORM 10-Q
INDEX

Condensed Consolidated Balance Sheets

First Indiana Corporation and Subsidiaries

(Dollars in Thousands, Except Per Share Data)

(Unaudited)

	September 30 2002	December 31 2001	September 30 2001
Assets			
Cash	$ 65,088	$ 62,147	$ 59,420
Federal Funds Sold	-	-	8,000
Total Cash and Cash Equivalents	65,088	62,147	67,420
Securities Available for Sale	143,252	147,863	154,408
Federal Home Loan Bank and Federal Reserve Bank Stock	22,491	22,491	22,491
Loans			
Business	515,478	443,461	413,398
Consumer	671,292	675,111	699,533
Residential Mortgage	292,276	292,503	355,357
Single-Family Construction	222,679	224,926	240,927
Commercial Real Estate	145,779	120,485	118,517
Total Loans	1,847,504	1,756,486	1,827,732
Allowance for Loan Losses	(38,349)	(37,135)	(36,442)
Net Loans	1,809,155	1,719,351	1,791,290
Premises and Equipment	20,645	20,587	20,626
Accrued Interest Receivable	11,177	15,246	17,223
Goodwill	13,045	13,045	13,274
Other Assets	47,778	45,927	42,420
Total Assets	$ 2,132,631	$ 2,046,657	$ 2,129,152
Liabilities and Shareholders' Equity			
Liabilities			
Non-Interest-Bearing Deposits	$ 170,887	$ 165,023	$ 140,880
Interest-Bearing Deposits			
Demand Deposits	159,881	140,175	119,150
Savings Deposits	395,811	447,832	418,322
Certificates of Deposit	688,209	626,448	712,197
Total Interest-Bearing Deposits	1,243,901	1,214,455	1,249,669
Total Deposits	1,414,788	1,379,478	1,390,549
Short-Term Borrowings	138,185	121,082	124,983
Federal Home Loan Bank Advances	319,532	296,647	356,647
Accrued Interest Payable	2,631	3,804	4,738
Advances by Borrowers for Taxes and Insurance	13,898	12,251	15,559
Other Liabilities	20,056	24,364	23,989
Total Liabilities	1,909,090	1,837,626	1,916,465
Shareholders' Equity			
Preferred Stock, $0.01 Par Value: 2,000,000 Shares Authorized; None Issued	-	-	-
Common Stock. $0.01 Par Value: 33.000.000 Shares Authorized: Issued: 2002 - 17,219,532 Shares; 2001 - 17,127,770 and 17,114,838 Shares	172	171	171
Capital Surplus	42,594	41,837	41,766
Retained Earnings	196,160	183,196	185,469
Accumulated Other Comprehensive Income	4,848	4,084	4,982
Treasury Stock at Cost: 2002 - 1,680,730 Shares; 2001 - 1.684.476 and 1.653.226 Shares	(20,233)	(20,257)	(19,701)
Total Shareholders' Equity	223,541	209,031	212,687
Total Liabilities and Shareholders' Equity	$ 2,132,631	$ 2,046,657	$ 2,129,152

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Earnings

First Indiana Corporation and Subsidiaries

(Dollars in Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Interest Income				
Loans	$ 29,577	$ 36,334	$ 87,948	$ 113,496
Securities Available for Sale	2,079	2,419	6,494	7,554
Dividends on FRB and FHLB Stock	353	404	1,036	1,247
Federal Funds Sold	-	35	15	375
Total Interest Income	32,009	39,192	95,493	122,672
Interest Expense				
Deposits	8,726	14,484	28,698	47,697
Short-Term Borrowings	671	1,032	1,593	3,584
Federal Home Loan Bank Advances	3,211	4,836	10,134	14,545
Total Interest Expense	12,608	20,352	40,425	65,826
Net Interest Income	19,401	18,840	55,068	56,846
Provision for Loan Losses	2,982	2,475	9,751	7,353
Net Interest Income after Provision for Loan Losses	16,419	16,365	45,317	49,493
Non-Interest Income				
Loan and Deposit Charges	4,230	3,457	11,637	8,804
Loan Servicing Income	(22)	398	412	849
Loan Fees	545	938	1,942	2,931
Trust Fees	637	618	1,965	1,653
Somerset Financial Services Fees	1,864	1,600	8,686	7,895
Investment Product Sales Commissions	685	604	2,220	1,407
Sale of Loans	2,605	2,420	6,538	7,583
Sale of Investment Securities	-	543	223	543
Sale of Premises & Equipment	(74)	563	(77)	549
Other	641	716	2,014	1,902
Total Non-Interest Income	11,111	11,857	35,560	34,116
Non-Interest Expense				
Salaries and Benefits	9,526	9,584	28,179	28,500
Net Occupancy	1,060	937	3,081	2,759
Equipment	1,437	1,950	4,581	5,411
Professional Services	1,135	1,015	3,231	2,958
Marketing	518	670	1,671	2,051
Telephone, Supplies, and Postage	805	861	2,477	2,646
Goodwill Amortization	-	229	-	692
Other	2,286	2,070	5,930	5,720
Total Non-Interest Expense	16,767	17,316	49,150	50,737
Earnings before Income Taxes	10,763	10,906	31,727	32,872
Income Taxes	3,921	4,058	11,606	12,491
Net Earnings	$ 6,842	$ 6,848	$ 20,121	$ 20,381
Basic Earnings Per Share	$ 0.44	$ 0.44	$ 1.30	$ 1.31
Diluted Earnings Per Share	$ 0.43	$ 0.43	$ 1.27	$ 1.27
Dividends Per Common Share	$ 0.16	$ 0.128	$ 0.48	$ 0.384

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Shareholders' Equity

First Indiana Corporation and Subsidiaries
(Dollars in Thousands, Except Per Share Data)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance at December 31, 2001	15,443,294	$ 171	$41,837	$183,196	$ 4,084	$ (20,257)	$ 209,031
Comprehensive Income:							
Net Earnings	-	-	-	20,121	-	-	20,121
Unrealized Gain on Securities Available for Sale of $1,262, Net of Income Taxes and Reclassification Adjustment of $135, Net of Income Taxes	-	-	-	-	764	-	764
Total Comprehensive Income							20,885
Dividends on Common Stock - $0.48 per share	-	-	-	(7,462)	-	-	(7,462)
Exercise of Stock Options	151,751	1	1,604	-	-	-	1,605
Tax Benefit of Option Compensation	-	-	303	-	-	-	303
Forfeiture of Restricted Common Stock	(45,000)	-	(900)	308	-	-	(592)
Common Stock Issued under Restricted Stock Plans - Net of Amortization	-	-	-	(3)	-	-	(3)
Purchase of Treasury Stock	(4)	-	-	-	-	-	-
Reissuance of Treasury Stock	3,751	-	41	-	-	24	65
Payment for Fractional Shares	(530)	-	(11)	-	-	-	(11)
Redemption of Common Stock	(14,460)	-	(280)	-	-	-	(280)
Balance at September 30, 2002	15,538,802	$ 172	$42,594	$196,160	$ 4,848	$ (20,233)	$ 223,541

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Cash Flows

First Indiana Corporation and Subsidiaries

(Dollars in Thousands)

(Unaudited)

	Nine Months Ended September 30	
	2002	2001
Cash Flows from Operating Activities		
Net Earnings	$ 20,121	$ 20,381
Adjustments to Reconcile Net Earnings to		
Net Cash from Operating Activities		
Gain on Sale of Loans and Securities Available for Sale, Net	(6,761)	(8,126)
Amortization of Goodwill	-	692
Amortization of Premium, Discount, and Other Intangibles	992	1,235
Depreciation and Amortization of Premises and Equipment	1,917	2,358
Net Accretion of Loans	693	777
Provision for Loan Losses	9,751	7,353
Origination of Loans Held For Sale Net of Principal Collected	(157,081)	(196,409)
Proceeds from Sale of Loans Held for Sale	195,108	215,922
Tax Benefit of Option Compensation	303	652
Change In:		
Accrued Interest Receivable	4,069	1,104
Other Assets	(4,503)	(17,902)
Accrued Interest Payable	(1,173)	(2,014)
Other Liabilities	(4,262)	4,372
Net Cash Provided by Operating Activities	59,174	30,395
Cash Flows from Investing Activities		
Proceeds from Sale of Securities Available for Sale	10,223	20,000
Proceeds from Maturities of Securities Available for Sale	16,517	10,646
Purchase of Securities Available for Sale	(20,000)	(20,000)
Purchase of FHLB and Federal Reserve Bank Stock	-	(900)
Originations of Loans Net of Principal Collected	(74,235)	(51,123)
Proceeds from Sale of Loans	27,524	-
Purchase of Loans	(85,026)	-
Purchase of Premises and Equipment	(2,278)	(4,531)
Proceeds from Sale of Premises and Equipment	226	1,308
Acquisition of Somerset, Net of Cash Acquired	(46)	(333)
Net Cash Used by Investing Activities	(127,095)	(44,933)
Cash Flows from Financing Activities		
Net Change in Deposits	35,310	(9,434)
Net Change in Short-Term Borrowings	17,103	7,258
Repayment of Federal Home Loan Bank Advances	(407,115)	(205,107)
Borrowings of Federal Home Loan Bank Advances	430,000	225,000
Net Change in Advances by Borrowers for Taxes and Insurance	1,647	9,371
Stock Option Proceeds	1,325	1,212
Purchase of Treasury Stock	-	(5,455)
Reissuance of Treasury Stock	65	-
Payment for Fractional Shares	(11)	-
Dividends Paid	(7,462)	(6,001)
Net Cash Provided by Financing Activities	70,862	16,844
Net Change in Cash and Cash Equivalents	2,941	2,306
Cash and Cash Equivalents at Beginning of Period	62,147	65,114
Cash and Cash Equivalents at End of Period	$ 65,088	$ 67,420

See Notes to Condensed Consolidated Financial Statements

Note 1 - Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (comprising only normal recurring accruals) necessary for a fair presentation of the condensed consolidated financial statements have been included. Results for any interim period are not necessarily indicative of results to be expected for the year. The condensed consolidated financial statements include the accounts of First Indiana Corporation and its subsidiaries ("Corporation"). The principal subsidiaries of the Corporation are First Indiana Bank and its subsidiaries ("Bank") and Somerset Financial Services, LLC ("Somerset"). A summary of the Corporation's significant accounting policies is set forth in Note 1 of the Notes to Consolidated Financial Statements in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2001.

All share and per share data have been restated to reflect the five-for-four stock split declared on January 16, 2002.

Certain amounts in the Condensed Consolidated Financial Statements relating to prior periods have been reclassified to conform to current reporting presentation.

Note 2 - Earnings Per Share

Basic earnings per share for 2002 and 2001 were computed by dividing net earnings by the weighted average shares of common stock outstanding (15,576,745 and 15,590,409 for the three months ended September 30, 2002 and 2001 and 15,532,653 and 15,613,524 for the nine months ended September 30, 2002 and 2001). Diluted earnings per share for 2002 and 2001 were computed by dividing net earnings by the weighted average shares of common stock and common stock that would have been outstanding assuming the issuance of all dilutive potential common shares outstanding (15,851,161 and 16,022,986 for the three months ended September 30, 2002 and 2001 and 15,825,930 and 16,061,730 for the nine months ended September 30, 2002 and 2001). Dilution of the per-share calculation relates to stock options.

Note 3 - Allowance for Loan Losses

An allowance has been established for loan losses. The provision for loan losses charged to operations is based on management's judgment of current economic conditions and the credit risk of the loan portfolio. Management believes that the allowance is adequate for the losses inherent in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review this allowance and may require the Corporation to recognize additions to the allowance based on their judgment about information available to them at the time of their examination.

Note 4 - Segment Reporting

The Corporation's business units are primarily organized to operate in the financial services industry and are determined by the products and services offered. The commercial segment originates business, single-family construction, and commercial real estate loans, encompasses the portfolio of Community Reinvestment Act loans, and provides traditional cash management services to business customers. The consumer segment includes the origination, sale, and portfolio activities of both home equity and installment loans, and the residential segment encompasses the origination and portfolio activities of residential first mortgage loans. Investment portfolio management is included in the treasury segment. The retail segment includes the Bank's 26-branch network and investment product sales division. FirstTrust Indiana includes the services, fees, and costs of the trust segment. The Somerset segment includes all activities of the Corporation's Somerset Financial Services subsidiary. Revenues in the Corporation's segments are generated from loans, deposits, investments, servicing fees, loan sales, and fee income. There are no foreign operations.

The following segment financial information is based on the internal management reporting used by the Corporation to monitor and manage financial performance. The Corporation evaluates segment performance based on average assets and profit or loss before income taxes and indirect expenses. Indirect expenses include the Corporation's overhead and support expenses. The Corporation attempts to match fund each business unit by reviewing the assets and liabilities held by each unit and assigning an appropriate expense or income offset based on the cost of funds. The Corporation accounts for intersegment revenues, expenses, and transfers based on estimates of the actual costs to perform the intersegment services.

Segment Reporting [(1)]

(Dollars in Thousands)

	Commercial	Consumer	Residential	Treasury	Retail Banking	FirstTrust	Somerset Financial Services	Non-Segment	Third Quarter 2002 Consolidated Totals
Average Segment Assets	$ 857,844	$ 670,385	$ 283,985	$ 214,128	$ 21,529	$ 526	$ 14,003	$ 41,819	$ 2,104,219
Net Interest Income	8,172	5,358	792	3,397	1,663	-	16	3 (2)	19,401
Non-Interest Income	998	2,199	-	16	4,383	637	1,794	1,084	11,111
Intersegment Income (Expense)	-	109	(109)	-	-	-	-	- (3)	-
Significant Noncash Items:									
Provision for Loan Losses	1,425	1,462	95	-	-	-	-	-	2,982
Goodwill Amortization	-	-	-	-	-	-	-	-	-
Earning (Loss) before Income Taxes	4,821	4,162	456	2,845	1,464	187	(614)	(2,558)	10,763

	Commercial	Consumer	Residential	Treasury	Retail Banking	FirstTrust	Somerset Financial Services	Non-Segment	Third Quarter 2001 Consolidated Totals
Average Segment Assets	$ 733,870	$ 707,991	$ 378,373	$ 225,751	$ 19,814	$ 824	$ 12,945	$ 43,782	$ 2,123,350
Net Interest Income	7,408	5,172	671	3,983	1,397	-	25	184 (2)	18,840
Non-Interest Income	1,317	1,980	-	556	4,130	618	1,600	1,656	11,857
Intersegment Income (Expense)	-	109	(109)	-	-	-	-	- (3)	-
Significant Noncash Items:									
Provision for Loan Losses	1,113	1,391	(29)	-	-	-	-	-	2,475
Goodwill Amortization	-	-	-	-	30	-	111	88	229
Earning (Loss) before Income Taxes	4,848	3,501	158	3,839	1,214	150	(366)	(2,438)	10,906

	Commercial	Consumer	Residential	Treasury	Retail Banking	FirstTrust	Somerset Financial Services	Non-Segment	First Nine Months 2002 Consolidated Totals
Average Segment Assets	$ 817,497	$ 667,936	$ 283,437	$ 216,281	$ 21,065	$ 525	$ 13,565	$ 43,783	$ 2,064,089
Net Interest Income	23,007	17,322	2,878	6,001	5,816	-	38	6 (2)	55,068
Non-Interest Income	3,246	5,232	-	299	12,255	1,964	8,651	3,913	35,560
Intersegment Income (Expense)	-	326	(326)	-	-	-	-	- (3)	-
Significant Noncash Items:									
Provision for Loan Losses	4,783	4,906	62	-	-	-	-	-	9,751
Goodwill Amortization	-	-	-	-	-	-	-	-	-
Earning (Loss) before Income Taxes	12,824	12,151	2,100	4,633	4,420	430	1,122	(5,953)	31,727

	Commercial	Consumer	Residential	Treasury	Retail Banking	FirstTrust	Somerset Financial Services	Non-Segment	First Nine Months 2001 Consolidated Totals
Average Segment Assets	$ 660,274	$ 720,858	$ 419,197	$ 228,989	$ 18,433	$ 723	$ 12,903	$ 47,190	$ 2,108,567
Net Interest Income	20,827	15,609	2,666	8,779	8,274	-	62	629 (2)	56,846
Non-Interest Income	4,011	6,519	-	583	9,307	1,653	7,897	4,146	34,116
Intersegment Income (Expense)	-	324	(324)	-	-	-	-	- (3)	-
Significant Noncash Items:									
Provision for Loan Losses	3,030	4,283	40	-	-	-	-	-	7,353
Goodwill Amortization	-	-	-	-	91	-	339	262	692
Earning (Loss) before Income Taxes	13,993	11,977	1,134	7,389	5,450	321	1,246	(8,638)	32,872

(1) First Indiana implemented a new management reporting system in the first quarter of 2002, including a new transfer pricing methodology for funds used or provided by the various segments. Amounts shown for 2001 have been reclassified to reflect the change in management reporting format.

(2) The net interest income amounts in the segment results reflect not only the actual interest income and expense from segment activities, but also amounts for transfer income and expense to match fund each segment. Transfer income and expense is assigned to assets and liabilities based on the cost of funds.

(3) Intersegment revenues are received by one segment for performing a service for another segment. In the case of residential and consumer portfolios, the amount paid to the consumer loan processing office is capitalized and amortized over a four-year period. These entries are not included in the Corporation's actual results.

Note 5 - Recent Accounting Pronouncements

Effective January 1, 2002, the Corporation adopted Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”) resulting in no goodwill impairment. In accordance with the new standard, goodwill and intangible assets with indefinite lives are no longer amortized, but are subject to impairment tests at least annually. The Corporation had no existing intangible assets acquired in prior purchase business combinations and recognized no impairment loss relating to intangible assets upon adoption of SFAS 142.

The following table shows information relating to the adoption of SFAS 142.

(Dollars in Thousands, Except Per Share Amounts)	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Net Earnings	$ 6,842	$ 6,848	$ 20,121	$ 20,381
Add back: Goodwill Amortization	-	229	-	692
Adjusted Net Earnings	$ 6,842	$ 7,077	$ 20,121	$ 21,073
Basic Earnings Per Share	$ 0.44	$ 0.44	$ 1.30	$ 1.31
Add back: Goodwill Amortization	-	0.01	-	0.04
Adjusted Basic Earnings Per Share	$ 0.44	$ 0.45	$ 1.30	$ 1.35
Diluted Earnings Per Share	$ 0.43	$ 0.43	$ 1.27	$ 1.27
Add back: Goodwill Amortization	-	0.01	-	0.04
Adjusted Diluted Earnings Per Share	$ 0.43	$ 0.44	$ 1.27	$ 1.31

The following table shows changes in the carrying amount of goodwill for the nine months ended September 30, 2002.

(Dollars in Thousands)	Commercial Segment	Retail Banking Segment	Somerset Financial Services Segment	Total
Balance as of January 1, 2002	$ 4,108	$ 2,578	$ 6,359	$ 13,045
Changes during the period	-	-	-	-
Balance as of September 30, 2002	$ 4,108	$ 2,578	$ 6,359	$ 13,045

The following table shows the change in the carrying amount of capitalized loan servicing rights:

(Dollars in Thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Balance at Beginning of Period	$ 9,679	$ 9,697	$ 9,819	$ 8,249
Additions	583	692	1,827	3,376
Amortization of Servicing Rights	(593)	(469)	(1,906)	(1,605)
Change in Valuation Reserves	(248)	89	(319)	(11)
Balance at End of Period	$ 9,421	$ 10,009	$ 9,421	$ 10,009

Effective January 1, 2002, the Corporation adopted Statement of Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. Since SFAS 144 maintains many of the fundamental provisions of current accounting pronouncements, the adoption of this standard did not have a material impact on the financial condition or results of operations of the Corporation.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Financial Highlights

First Indiana Corporation and Subsidiaries

(Dollars in Thousands, Except Per Share Data)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2002	2001	2002	2001
Net Interest Income	$ 19,401	$ 18,840	$ 55,068	$ 56,846
Provision for Loan Losses	2,982	2,475	9,751	7,353
Non-Interest Income	11,111	11,857	35,560	34,116
Non-Interest Expense	16,767	17,316	49,150	50,737
Net Earnings	6,842	6,848	20,121	20,381
Basic Earnings Per Share	$ 0.44	$ 0.44	$ 1.30	$ 1.31
Diluted Earnings Per Share	0.43	0.43	1.27	1.27
Dividends Per Share	0.160	0.128	0.480	0.384
Net Interest Margin	3.88 %	3.74 %	3.75 %	3.77 %
Efficiency Ratio	54.95	56.41	54.23	55.78
Annualized Return on Average Equity	12.21	13.00	12.42	13.19
Annualized Return on Average Assets	1.29	1.28	1.30	1.29
Average Shares Outstanding	15,576,745	15,590,409	15,532,653	15,613,524
Average Diluted Shares Outstanding	15,851,161	16,022,986	15,825,930	16,061,730

	At September 30	
	2002	2001
Assets	$ 2,132,631	$ 2,129,152
Loans	1,847,504	1,827,732
Deposits	1,414,788	1,390,549
Shareholders' Equity	223,541	212,687
Shareholders' Equity/Assets	10.48 %	9.99 %
Shareholders' Equity Per Share	$ 14.39	$ 13.76
Market Closing Price	18.33	16.48
Shares Outstanding	15,538,802	15,461,612

Summary of Corporation's Results

First Indiana Corporation and subsidiaries had net earnings of $6,842,000 for the three months ended September 30, 2002, compared with net earnings of $6,848,000 for the same period last year. Diluted earnings per share for the three months ended September 30, 2002 were $0.43, compared with $0.43 per share for the same period one year ago. Cash dividends for the third quarter of 2002 and 2001 were $0.16 and $0.128 per share of common stock outstanding.

For the first nine months of 2002, net earnings were $20,121,000, compared with $20,381,000 one year ago. For the nine months ended September 30, 2002, diluted earnings per share were $1.27, compared with $1.27 for the same period one year ago. Cash dividends for the nine months ended September 30, 2002 and 2001 were $0.48 and $0.384 per common share outstanding.

Effective January 1, 2002, First Indiana adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets;" ("SFAS 142"). In accordance with the new standard, goodwill and intangible assets with indefinite lives are no longer amortized, but are subject to impairment tests at least annually. If these standards had been adopted in 2001, earnings for the third quarter would have been $7,077,000 or $0.44 per diluted share. Earnings for the nine months ended September 30, 2001 would have been $21,073,000 or $1.31 per diluted share.

Annualized return on average total assets was 1.29 percent for the three months ended September 30, 2002, compared with 1.28 percent for the same period one year ago. For the nine months ended September 30, 2002, the Corporation's annualized return on average total assets was 1.30 percent, compared with 1.29 percent for the same period in 2001.

Annualized return on average total equity was 12.21 percent for the three months ended September 30, 2002, compared with 13.00 percent for the same period one year ago. For the nine months ended September 30, 2002, the Corporation's annualized return on average total equity was 12.42 percent, compared with 13.19 percent for the same period in 2001.

Net Interest Income

Net interest income was $19,401,000 and $55,068,000 for the three and nine months ended September 30, 2002, respectively, compared with $18,840,000 and $58,846,000 for the three and nine months ended September 30, 2001, respectively. Earning assets averaged $1,998,518,000 in the third quarter of 2002, compared with $2,021,498,000 for the same quarter in 2001. Net interest margin was 3.88 percent and 3.75 percent in the third quarter and first nine months of 2002, respectively, compared to 3.74 percent and 3.77 percent in the third quarter and first nine months of 2001, respectively. Rapidly falling interest rates in 2001, coupled with a net asset-sensitive position within a one year-time period had the effect of lowering net interest margin in 2001. Net interest margin in the third quarter 2002 increased 30 and 12 basis points over the first and second quarter 2002 margins of 3.58 percent and 3.76 percent, respectively. This rebound is the outcome of a 12 percent increase in lower-cost interest-bearing demand and savings deposits in the first nine months of 2002 as well as the downward repricing of liability rates as they caught up with the rate reductions in assets that occurred last year.

The contribution of interest-free funds to net interest margin varies depending on the level of interest-free funds and the level of interest rates. Interest-free funds averaged $308,724,000 and $301,869,000 in the third quarter and first nine months of 2002, respectively, compared to $282,794,000 and $277,093,000 for the comparable periods of 2001. The increase in interest free funds is attributable to growth in non-interest-bearing demand deposits and retained earnings. Average interest-free funds provided 46 and 50 basis points to the third quarter and year to date 2002 margin, respectively, compared with 65 and 71 basis points for the same periods in 2001. Although interest-free funds were higher in both periods of 2002, their impact declined compared to the third quarter and first nine months of 2001 due to the lower interest rate environment.

The following tables provide information on the Corporation's net interest margin.

Net Interest Margin

First Indiana Corporation and Subsidiaries

(Dollars in Thousands, Except Per Share Data)

	Three Months Ended					
	September 30, 2002			September 30, 2001		
	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate
Assets						
Federal Funds Sold	$ -	$ -	- %	$ 3,967	$ 35	3.54 %
Securities Available for Sale	144,500	2,079	5.75	153,775	2,419	6.29
FHLB and FRB Stock	22,491	353	6.29	22,188	404	7.28
Loans						
Business	500,692	7,311	5.79	388,690	7,280	7.43
Consumer	684,155	12,622	7.36	718,418	15,778	8.78
Residential Mortgage	280,990	4,385	6.24	377,097	6,516	6.91
Single-Family Construction	223,352	3,029	5.38	241,978	4,451	7.30
Commercial Real Estate	142,338	2,230	6.23	115,385	2,309	7.96
Total Loans	1,831,527	29,577	6.43	1,841,568	36,334	7.87
Total Earning Assets	1,998,518	32,009	6.38	2,021,498	39,192	7.73
Other Assets	105,701			101,852		
Total Assets	$ 2,104,219			$ 2,123,350		
Liabilities and Shareholders' Equity						
Interest-Bearing Deposits						
Demand Deposits	$ 162,163	$ 342	0.84 %	$ 124,150	$ 438	1.40 %
Savings Deposits	406,038	1,344	1.31	416,976	3,156	3.00
Certificates of Deposit	629,837	7,040	4.43	729,948	10,890	5.92
Total Interest-Bearing Deposits	1,198,038	8,726	2.89	1,271,074	14,484	4.52
Short-Term Borrowings	155,317	671	1.71	117,718	1,032	3.48
Federal Home Loan Bank Advances	336,439	3,211	3.79	349,912	4,836	5.48
Total Interest-Bearing Liabilities	1,689,794	12,608	2.96	1,738,704	20,352	4.64
Non-Interest-Bearing Demand Deposits	154,053			129,694		
Other Liabilities	37,969			45,954		
Shareholders' Equity	222,403			208,998		
Total Liabilities and Shareholders' Equity	$ 2,104,219			$ 2,123,350		
Net Interest Income/Spread		$ 19,401	3.42 %		$ 18,840	3.09 %
Net Interest Margin			3.88 %			3.74 %

Net Interest Margin

First Indiana Corporation and Subsidiaries

(Dollars in Thousands, Except Per Share Data)

	Nine Months Ended					
	September 30, 2002			September 30, 2001		
	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate
Assets						
Federal Funds Sold	$ 1,440	$ 15	1.42 %	$ 10,610	$ 375	4.73 %
Securities Available for Sale	146,537	6,494	5.91	156,690	7,554	6.43
FHLB and FRB Stock	22,491	1,036	6.14	21,792	1,247	7.63
Loans						
Business	469,575	20,200	5.75	334,190	20,509	8.21
Consumer	680,127	38,588	7.57	731,824	49,866	9.09
Residential Mortgage	281,542	13,839	6.55	418,106	22,287	7.11
Single-Family Construction	224,362	8,954	5.34	227,731	13,897	8.16
Commercial Real Estate	132,323	6,367	6.43	109,629	6,937	8.45
Total Loans	1,787,929	87,948	6.57	1,821,480	113,496	8.32
Total Earning Assets	1,958,397	95,493	6.51	2,010,572	122,672	8.14
Other Assets	105,692			97,995		
Total Assets	$ 2,064,089			$ 2,108,567		
Liabilities and Shareholders' Equity						
Interest-Bearing Deposits						
Demand Deposits	$ 158,826	$ 988	0.83 %	$ 120,868	$ 1,306	1.44 %
Savings Deposits	425,987	4,342	1.36	401,670	11,175	3.72
Certificates of Deposit	638,106	23,368	4.90	763,809	35,216	6.16
Total Interest-Bearing Deposits	1,222,919	28,698	3.14	1,286,347	47,697	4.96
Short-Term Borrowings	124,885	1,593	1.71	111,026	3,584	4.32
Federal Home Loan Bank Advances	308,724	10,134	4.39	336,106	14,545	5.79
Total Interest-Bearing Liabilities	1,656,528	40,425	3.26	1,733,479	65,826	5.08
Non-Interest-Bearing Demand Deposits	149,667			123,434		
Other Liabilities	41,232			45,124		
Shareholders' Equity	216,662			206,530		
Total Liabilities and Shareholders' Equity	$ 2,064,089			$ 2,108,567		
Net Interest Income/Spread		$ 55,068	3.25 %		$ 56,846	3.06 %
Net Interest Margin			3.75 %			3.77 %

Summary of Loan Loss Experience and Non-Performing Assets

The third quarter 2002 provision was $2,982,000, compared to $4,159,000 for the second quarter 2002 and $2,475,000 for the third quarter of 2001. Net charge-offs for the third quarter 2002 were $1,986,000, or 0.43 percent of average loans on an annualized basis, compared to net charge-offs for the second quarter of 2002 of $4,999,000, or 1.12 percent of average loans and $1,337,000, or 0.29% of average loans for the third quarter of 2001. Business loan net charge-offs were $157,000 for the third quarter 2002, compared to $3,147,000 for the second quarter of 2002. Consumer loan net charge-offs were $1,114,000 for the third quarter 2002, compared to $1,737,000 for the second quarter of 2002. The uncertain economic environment in the second quarter of 2002, together with credit difficulties of several business borrowers led to an increase in the Corporation's provision for loan losses and charge-offs for the second quarter of 2002.

For the nine months ended September 30, 2002, the provision for loan losses was $9,751,000 compared to $7,353,000 for the same period of 2001. Net charge-offs for the nine months ended September 30, 2002 were $8,537,000 compared to $4,489,000 for the first nine months of 2001. The increase in net charge-offs is primarily due to business loan charge-offs in the second quarter of 2002.

(Dollars in Thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Allowance for Loan Losses at Beginning of Period	$ 37,353	$ 35,304	$ 37,135	$ 33,578
Charge-Offs				
Business	253	58	3,778	257
Consumer	1,371	1,378	4,777	4,223
Residential Mortgage	73	5	93	94
Single-Family Construction	372	-	443	293
Commercial Real Estate	288	150	350	335
Total Charge-Offs	2,357	1,591	9,441	5,202
Recoveries				
Business	96	39	167	132
Consumer	257	202	656	520
Residential Mortgage	3	(11)	3	1
Single-Family Construction	4	24	53	60
Commercial Real Estate	11	-	25	-
Total Recoveries	371	254	904	713
Net Charge-Offs	1,986	1,337	8,537	4,489
Provision for Loan Losses	2,982	2,475	9,751	7,353
Allowance for Loan Losses at End of Period	$ 38,349	$ 36,442	$ 38,349	$ 36,442
Net Charge-Offs to Average Loans (Annualized)	0.43 %	0.29 %	0.64 %	0.33 %
Allowance for Loan Losses to Loans at End of Period	2.07	1.99	2.07	1.99
Allowance for Loan Losses to Non-Performing Loans	120.04	99.60	120.04	99.60

The level of non-performing assets declined for the third straight quarter. Non-performing assets at September 30, 2002 were $41,254,000, or 2.22 percent of loans and other real estate owned ("OREO") compared with $42,037,000, or 2.31 percent of loans and OREO at June 30, 2002, $45,720,000, or 2.60 percent of loans and OREO, at March 31, 2002, and $46,803,000, or 2.65 percent of loans and OREO at December 31, 2001. Active management of the collection process throughout this period of rapidly increasing consumer loan delinquencies ultimately led to reductions in consumer and residential non-performing loans by either reinstating these loans to current status or processing the loans through foreclosure proceedings to OREO. Non-performing assets at September 30, 2001 were $40,901,000 or 2.23 percent of loans and OREO. The increase in the level of OREO reflects the processing of non-performing assets to their ultimate resolution.

Non-Performing Assets

First Indiana Corporation and Subsidiaries
(Dollars in Thousands)

	September 30, 2002	December 31, 2001	September 30, 2001
Non-Performing Loans			
Non-Accrual Loans			
Business	$ 7,842	$ 5,880	$ 8,254
Consumer	11,173	13,532	10,281
Residential Mortgage	2,389	6,447	5,125
Single-Family Construction	4,932	8,165	2,873
Commercial Real Estate	2,474	2,475	2,082
Total Non-Accrual Loans	28,810	36,499	28,615
Accruing Loans			
Business - Current as to Interest and Principal	-	-	2,181
Business - Past Due 90 Days or More	76	307	386
Consumer - Past Due 90 Days or More	3,061	3,005	5,269
Single-Family Construction - Past Due 90 Days or More	-	-	136
Total Accruing Loans	3,137	3,312	7,972
Total Non-Performing Loans	31,947	39,811	36,587
Other Real Estate Owned, Net	9,307	6,992	4,314
Total Non-Performing Assets	$ 41,254	$ 46,803	$ 40,901
Non-Performing Loans to Loans at End of Period	1.73 %	2.27 %	2.00 %
Non-Performing Assets to Loans and OREO at End of Period	2.22	2.65	2.23

Non-Interest Income

Total non-interest income was $11,111,000 for the three months ended September 30, 2002, compared with $11,857,000 for the same period in 2001. For the nine months ended September 30, 2002 and 2001, total non-interest income was $35,560,000 and $34,116,000.

Loan and deposit charges increased 22 percent to $4,230,000 in the third quarter of 2002 compared to $3,457,000 in the third quarter of 2001. For the nine months ended September 30, 2002 and 2001 loan and deposit charges were $11,637,000 and $8,804,000. The growth from both periods of 2001 resulted from a new fee initiative introduced in the second quarter of 2001, increased account analysis fees from business demand accounts, and an expanded core checking and savings account base.

Loan servicing income in the third quarter of 2002 was a loss of $22,000 compared to income of $398,000 in the third quarter 2001. Loan servicing income for the first nine months of 2002 was $412,000 compared to $849,000 for the same period in 2001. Increasing residential and home equity loan prepayments speeds in 2002 reduced loan servicing fees and increased impairment in capitalized loan servicing rights when compared to the same periods of 2001.

Loan fees totaled $545,000 for the three months ended September 30, 2002 compared to $938,000 in the same period one year ago. For the nine months ended September 30, 2002 and 2001, loan fees were $1,942,000 and $2,931,000. This decline in fees is primarily due to lower fees collected on business loan origination and servicing activities and decreased single-family construction loan originations and reflects competitive pressures on fee pricing and loan originations.

FirstTrust Indiana's fees increased three percent and 19 percent to $637,000 and $1,965,000 in the third quarter and first nine months of 2002 compared to the same periods last year. Because a portion of First Trust's fees are based on investment valuation, fee income growth slowed in the third quarter of 2002 as the market value of managed investments declined. The Bank's investment advisory and trust division had assets under management at September 30, 2002 of $621,311,000, compared to $608,146,000 one year earlier.

Somerset Financial Services fees for the third quarter 2002 were $1,864,000 compared to $1,600,000 for the third quarter 2001, an increase of 17 percent. Somerset fees for the first nine months of 2002 increased 10 percent to $8,686,000 from $7,895,000 for the same period of 2001. Investment product sales commissions, generated by the Bank's subsidiary First Indiana Investor Services, increased 13 percent to $685,000 in the third quarter of 2002 from $604,000 in the third quarter of 2001. For the nine months ended September 30, 2002, investment product sales commissions grew 58 percent to $2,220,000 from $1,407,000 for the same period of 2001. Somerset Financial Services and First Indiana Investor Services have increased fee-generating activities as a result of the Corporation's strategy of expanding client relationships.

Gain on the sale of loans in the third quarter of 2002 was $2,605,000 compared to $2,420,000 for the same quarter last year. Gains on the sale of loans was $6,538,000 for the first nine months of 2002 compared to $7,583,000 for the first nine months of last year. Consumer loans sold in the third quarter of 2002 totaled $78,483,000 compared to $79,134,000 in the third quarter of 2001. For the nine months ended September 30, 2002 and 2001, consumer loans sold totaled $215,780,000 and $207,128,000. In the third quarter of 2002, First Indiana sold $27,524,000 of home equity lines of credit in an effort to establish a market for this loan product. In the future, management expects a portion of these loans to be designated as available for sale at the date of origination. When compared to the first nine months of 2001, gain on the sale of loans for the nine months ended September 30, 2002 was down primarily due to lower prices following relatively high prices realized in 2001. However in the third quarter of 2002, loan pricing improved over previous quarters of 2002.

In the second quarter of 2002, the Corporation sold $10,000,000 of securities available for sale for a net gain of $223,000. In the third quarter of 2001, the Corporation sold $20,000,000 of securities available for sale for a net gain of $543,000. In the third quarter of 2001, the Corporation recognized a $563,000 gain on the disposal of a former branch building compared to a net loss of $74,000 on the disposal of equipment in the third quarter of 2002.

Non-Interest Expense

Non-interest expense for the three months ended September 30, 2002 was $16,767,000 compared to $17,316,000 for the same period in 2001, a decrease of three percent. For the nine months ended September 30, 2002 and 2001, total non-interest expense was $49,150,000 and $50,737,000, a decrease of three percent.

Salaries and benefits for the third quarter of 2002 were $9,526,000 compared to $9,584,000 for the third quarter of 2001. For the first nine months of 2002, salaries and benefits were $28,179,000, compared to $28,500,000 for the same period of 2001. Salary expense was $7,617,000 in the third quarter of 2002 and $8,039,000 for the third quarter of 2001. Salary expense for the first nine months of 2002 was $22,815,000 compared to $23,855,000 for the first nine months of 2001. The increase in loan charge-offs led to a significant reduction in the management incentive accrual during the second quarter of 2002. In the third quarter, the continued economic slowdown necessitated further reductions in the incentive accrual. Partially offsetting these reductions were normal salary increases and staffing growth in the Corporation's commercial lending and Somerset Financial Services lines of business. Employee benefits expense was $1,909,000 for the third quarter of 2002 and $1,545,000 for the third quarter of 2001. Employee benefits expense was $5,364,000 for the nine months ended September 30, 2002 and $4,645,000 for the same period of 2001. The increase in 2002 consisted largely of increased pension, group insurance, and payroll tax expenses.

Net occupancy expense in the third quarter of 2002 increased 13 percent to $1,060,000 from $937,000 in the third quarter of 2001. Net occupancy expense for the first nine months of 2002 increased 12 percent to $3,081,000 from $2,759,000 for the comparable period of 2001. These increases are due to normal increases in rental expense, rental expense for new branch facilities, and related increases in utilities, depreciation, and maintenance expenses.

Professional services expense was $3,231,000 for the first nine months of 2002 compared to $2,958,000 for the first nine months of 2001. This increase is primarily due to increased expenses associated with loan delinquencies and foreclosures in 2002.

Equipment, marketing, and telephone, supplies, and postage expenses decreased in the third quarter and first nine months of 2002 compared to the same periods last year as a result of ongoing expense control efforts.

In accordance with the provisions of SFAS 142, the Corporation ceased the amortization of goodwill beginning January 1, 2002. Goodwill amortization for the third quarter and first nine months of 2001 was $229,000 and $692,000, respectively.

Other non-interest expense in the third quarter increased 10 percent to $2,286,000 from $2,070,000 in the third quarter of 2001. Other non-interest expense for the first nine months of 2002 increased four percent to $5,930,000 from $5,720,000 for the comparable period of 2001. When compared to 2001, the Bank has incurred higher operating expenses in 2002 to manage non-performing loans. Included in other non-interest expense in the first quarter of 2002 was a $128,000 loss on the disposition of Somerset Financial Services' 50 percent stake in Paradym Technologies, Inc. ("Paradym"). As a condition of the approval of the Bank's charter change, federal regulators required the disposition of Paradym. The Corporation's efficiency ratio was 54.95 percent for the third quarter of 2002, compared to 56.41 percent for the third quarter of 2001. The Corporation's efficiency ratio for the nine months ended September 30, 2002 and 2001 was 54.23 percent and 55.78 percent. The decrease in non-interest expense compared to last year for both periods presented helped to lower the efficiency ratio.

Financial Condition

Total assets at September 30, 2002 were $2,132,631,000, an increase of $85,974,000 from $2,046,657,000 at December 31, 2001 and an increase of $3,479,000 from $2,129,152,000 at September 30, 2001.

Loans at September 30, 2002 were $1,847,504,000, compared with $1,756,486,000 at December 31, 2001 and $1,827,732,000 at September 30, 2001. The continued effects of the loan portfolio restructuring are evident from growth in the targeted portfolios of business and commercial real estate loans. Business loans at September 30, 2002 were $515,478,000, compared to $413,398,000 at September 30, 2001. Commercial real estate loans at September 30, 2002 were $145,779,000, compared to $118,517,000 at September 30, 2001. Consumer and residential mortgage loan outstandings declined as a result of prepayments due to the lower interest rate environment. Consumer loans outstanding also declined due to sales of home equity lines of credit totaling $27,524,000. Though residential mortgages also decreased as a result of the Corporation’s strategy to de-emphasize origination of residential mortgages, prepayments caused outstandings to decline faster than anticipated. To counteract this decrease, the Bank purchased a total of $84,090,000 in residential mortgage loans in 2002.

Total deposits were $1,414,788,000 at September 30, 2002, compared with $1,379,478,000 at December 31, 2001 and $1,390,549,000 at September 30, 2001. Due to the Corporation’s continuing relationship-oriented strategy, the mix of deposits shifted to an increased percentage of demand and savings core deposits, which reduced the Corporation’s dependence on higher-interest certificates of deposit and borrowed funds. Demand deposits were $330,768,000 at September 30, 2002 compared to $305,198,000 at December 31, 2001 and $260,030,000 at September 30, 2001, an increase of eight percent and 27 percent, respectively. Average demand deposits for the first nine months of 2002 and 2001 were $308,493,000 and $244,302,000, an increase on average of $64,191,000 or 26 percent. Savings deposits were $395,811,000 at September 30, 2002 compared to $447,832,000 at December 31, 2001 and $418,322,000 at September 30, 2001. Savings deposits for the first nine months of 2002 averaged $425,987,000, an increase of six percent when compared to the same period of 2001. Certificates of deposit were $688,209,000 at September 30, 2002, compared to $626,448,000 at December 31, 2001 and $712,197,000 at September 30, 2001. Certificates of deposits averaged $638,106,000 and $763,809,000 for the first nine months of 2002 and 2001.

Short-term borrowings increased to $138,185,000 at September 30, 2002 compared with $121,082,000 at December 31, 2001 and $124,983,000 at September 30, 2001. Federal Home Loan Bank (“FHLB”) advances totaled $319,532,000 at September 30, 2002, compared with $296,647,000 at December 31, 2001 and $356,647,000 at September 30, 2001.

Capital

At September 30, 2002, shareholders’ equity was $223,541,000, or 10.48 percent of total assets, compared with $209,031,000, or 10.21 percent, at December 31, 2001 and $212,687,000, or 9.99 percent, at September 30, 2001.

On January 16, 2002, the Board of Directors approved a five-for-four stock split, which was effected on February 27, 2002. All share and per share information has been restated to reflect the stock split.

The Corporation paid a quarterly dividend of $0.16 per common share on September 16, 2002 to shareholders of record as of September 6, 2002. This reflects a 25 percent increase from the quarterly dividend of $0.128 per share in 2001. Dividends paid during the first nine months of 2002 and 2001 were $0.48 and $0.384 per share.

First Indiana Corporation is subject to capital requirements and guidelines imposed on bank holding companies by the Federal Reserve Board. First Indiana Bank is subject to capital requirements and guidelines imposed on national banks by the Office of the Comptroller of the Currency. The Corporation and the Bank are required by their respective regulators to maintain minimum capital ratios. The Federal Deposit Insurance Corporation Improvement Act of 1999 ("FDICIA") established ratios and guidelines for banks to be considered "well-capitalized." These capital requirements establish higher capital standards for banks and bank holding companies that assume greater risks. For this purpose, assets and certain specified off-balance sheet commitments are assigned to four risk categories, each weighted differently based on the level of credit risk ascribed to such assets or commitments.

The following table shows the Corporation's and the Bank's capital levels and compliance with all capital requirements at September 30, 2002. Additionally, the Bank exceeds the capital levels set by FDICIA for a bank to be considered well-capitalized.

(Dollars in Thousands)	Actual		Minimum Capital Adequacy		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2002						
Leverage (Tier 1 Capital to Average Assets)						
First Indiana Corporation	$ 205,648	9.84 %	$ 83,648	4.00 %	N/A	N/A
First Indiana Bank	180,555	8.66	83,374	4.00	$ 104,217	5.00 %
Tier 1 Capital (to Risk-Weighted Assets)						
First Indiana Corporation	$ 205,648	10.38 %	$ 79,274	4.00 %	N/A	N/A
First Indiana Bank	180,555	9.13	79,097	4.00	$ 118,645	6.00 %
Total Capital (to Risk-Weighted Assets)						
First Indiana Corporation	$ 230,589	11.63 %	$ 158,549	8.00 %	N/A	N/A
First Indiana Bank	205,441	10.39	158,194	8.00	$ 197,742	10.00 %

Liquidity

First Indiana Corporation conducts its business through subsidiaries. The main source of funds for the Corporation is dividends from the Bank. The Corporation has no significant assets other than its investments in the Bank and Somerset.

The Bank's primary source of funds is deposits, which were $1,414,788,000 at September 30, 2002, $1,379,478,000 at December 31, 2001, and $1,390,549,000 at September 30, 2001. The Bank also relies on FHLB advances, repurchase agreements, loan payments, loan payoffs, and sale of loans as sources of funds. Although the Bank continues to rely on core deposits as its chief source of funds, the use of borrowed funds, including FHLB advances, continues to be an important component of the Bank's liquidity. Scheduled loan payments are a relatively stable source of funds, but loan payoffs, the sale of loans, and deposit inflows and outflows fluctuate, depending on interest rates and economic conditions. However, management does not expect any of these fluctuations to occur in amounts that would affect the Corporation's ability to meet consumer demand for liquidity or regulatory liquidity requirements.

Pending Business Combination

On September 4, 2002, First Indiana signed an agreement to acquire the outstanding shares of Carmel, Indiana-based MetroBanCorp. MetroBanCorp is the holding company for MetroBank, with assets of $174,000,000 and seven offices in suburban Indianapolis, Carmel, Fishers, and Noblesville. In the merger, MetroBanCorp shareholders will receive $17.00 in cash in exchange for each share of MetroBanCorp stock. The total value of the merger is currently estimated at approximately $40,000,000. Upon completion of the merger, First Indiana will have approximately $2,300,000,000 in assets and 33 banking centers in Central Indiana. The acquisition is expected to close in the first quarter of 2003 and is subject to certain regulatory approvals and approval by MetroBanCorp's shareholders.

In the fourth quarter of 2002, the Corporation plans to issue $12,000,000 in Trust Preferred Securities. Proceeds from the issuance of these securities will be used to partially fund the purchase of MetroBanCorp. Under regulatory capital guidelines, the Corporation may include these securities as Tier 1 Capital, subject to certain limitations. Upon completion of this acquisition, the Corporation anticipates its regulatory capital ratios will remain in compliance with all capital requirements. Existing liquidity within the Corporation, including preexisting funding sources, is expected to provide the remaining funding for this transaction.

Item 3. Disclosures About Market Risk

Asset/Liability Management

First Indiana engages in rigorous, formal asset/liability management, with objectives to manage interest rate risk, ensure adequate liquidity, and coordinate sources and uses of funds. The management of interest rate risk entails the control, within acceptable limits, of the impact on earnings caused by fluctuating interest rates and changing rate relationships. In this process, management uses an internal earnings simulation model to identify and measure interest rate sensitivity. The Asset/Liability Committee ("ALCO") reviews the earnings impact of various changes in interest rates each month and manages the risk to maintain an acceptable level of change in net interest income. The Board of Directors also reviews this information every quarter.

The Corporation's success is largely dependent upon its ability to manage interest rate risk, which is defined as the exposure of the Corporation's net interest income and net earnings to changes in interest rates. ALCO is responsible for managing interest rate risk, and the Corporation has established acceptable limits for interest rate exposure, which are reviewed monthly. The Corporation uses a model that measures interest rate sensitivity to determine the impact on net interest income of immediate and sustained upward and downward movements in interest rates. Incorporated into the model are assumptions regarding the current and anticipated interest rate environment, estimated prepayment rates of certain assets and liabilities, forecasted loan and deposit originations, contractual maturities and renewal rates on certificates of deposits, estimated borrowing needs, expected repricing spreads on variable-rate products, and contractual maturities and repayments on lending and investment products. The model incorporates interest rate sensitive instruments that are held to maturity or available for sale. The Corporation has no trading assets. Based on the information and assumptions in effect at September 30, 2002, the model forecasts that a 100 basis point increase in interest rates over a 12-month period would result in a 3.8 percent increase in net interest income while a 100 basis point decrease in interest rates would result in a 4.9 percent decrease in net interest income. Because of the numerous assumptions used in the computation of interest rate sensitivity, and the fact that the model does not assume any actions ALCO could take in response to the change in interest rates, the model forecasts may not be indicative of actual results.

The Corporation also monitors interest rate sensitivity using traditional gap analysis. Gap analysis is a static management tool used to identify mismatches in the repricing of assets and liabilities within specified periods of time. It is a static indicator and does not attempt to predict the net interest income of a dynamic business in a rapidly changing environment. Significant adjustments may be made when the interest rate outlook changes.

At September 30, 2002, First Indiana's six-month and one-year cumulative gaps stood at a positive 9.67 percent and a positive 11.65 percent of total interest-earning assets. This compares with a positive 5.43 percent and a positive 3.30 percent at December 31, 2001.

The following table shows First Indiana's interest rate sensitivity at September 30, 2002 and December 31, 2001.

(Dollars in Thousands)	Rate	Balance	Percent of Total	Within 180 Days	Over 180 Days to One Year	Over One Year to Five Years	Over Five Years
Interest-Earning Assets							
Federal Funds Sold	- %	$ -	- %	$ -	$ -	$ -	$ -
Securities Available for Sale	5.67	143,252	7.12	23,825	25,209	86,206	8,012
FHLB / FRB Stock	6.22	22,491	1.12	-	-	-	22,491
Loans (1)							
Business	5.51	515,478	25.60	442,359	7,146	65,973	-
Consumer	7.26	671,292	33.34	377,943	52,161	213,983	27,205
Residential Mortgage	6.31	292,276	14.52	82,431	69,868	119,703	20,274
Single-Family Construction	5.35	222,679	11.06	200,411	11,134	11,134	-
Commercial Real Estate	6.26	145,779	7.24	113,163	2,550	22,180	7,886
	6.27	$ 2,013,247	100.00 %	1,240,132	168,068	519,179	85,868
Interest-Bearing Liabilities							
Deposits							
Demand Deposits (2)	0.82	$ 159,881	9.40 %	25,889	-	-	133,992
Savings Deposits (2)	1.32	395,811	23.25	349,901	1,190	9,517	35,203
Certificates of Deposit $100,000 or Greater	3.74	359,978	21.16	231,338	56,337	72,303	-
Other Certificates of Deposit	4.16	328,231	19.29	107,129	60,617	160,485	-
	2.70	1,243,901	73.10	714,257	118,144	242,305	169,195
Borrowings							
Short-Term Borrowings	1.69	138,185	8.12	138,185	-	-	-
FHLB Advances	3.87	319,532	18.78	193,000	10,000	75,817	40,715
	2.84	1,701,618	100.00 %	1,045,442	128,144	318,122	209,910
Net - Other (3)		311,629					311,629
Total		$ 2,013,247		1,045,442	128,144	318,122	521,539
Rate Sensitivity Gap				$ 194,690	$ 39,924	$ 201,057	$ (435,671)
September 30, 2002 - Cumulative Rate Sensitivity Gap				$ 194,690	$ 234,614	$ 435,671	
Percent of Total Interest-Earning Assets				9.67%	11.65%	21.64%	
December 31, 2001 - Cumulative Rate Sensitivity Gap				$ 104,575	$ 63,624	$ 329,676	
Percent of Total Interest-Earning Assets				5.43%	3.30%	17.11%	

(1) The distribution of fixed-rate loans is based upon contractual maturity and scheduled contractual repayments adjusted for estimated prepayments. The distribution of adjustable-rate loans is based on the earliest repricing date for each loan. Included in consumer loans are $17.0 million of home equity loans held for sale.
(2) A portion of these deposits has been included in the Over Five Years category to reflect management's assumption that these accounts are not rate-sensitive. This assumption is based upon the historic trends on these types of deposits experienced through periods of significant increases and decreases in interest rates without changes in rates paid on these deposits. The rates represent a blended rate on all deposit types in the category.
(3) Net - Other is the excess of non-interest-bearing liabilities and capital over non-interest-earning assets.

Item 4. Controls and Procedures

Based on their most recent evaluation, which was completed within 90 days of the filing of this Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer believe the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) are effective. There were not any significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Part II Other Information

Items 1, 2, 3, and 4 are not applicable.

Item 5. Other Information

(a) *Information on Forward-Looking Statements* – Statements contained in this presentation that are not historical facts may constitute forward-looking statements (within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended) which involve significant risks and uncertainties. The Corporation intends such forward-looking statements to be covered by the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe-harbor provisions. The Corporation's ability to predict results or the actual effect of future plans or strategies is inherently uncertain, and involves a number of risks and uncertainties. In particular, among the factors that could cause actual results to differ materially are changes in interest rates, loss of deposits and loan demand to other financial institutions, substantial changes in financial markets in general or the loan market in particular, changes in the real estate market, statutory or regulatory changes, or unanticipated results in pending legal proceedings. The fact that there are various risks and uncertainties should be considered in evaluating forward-looking statements, and undue reliance should not be placed on such statements. The Corporation undertakes no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

2	Agreement and Plan of Merger dated September 4, 2002, by and among MetroBanCorp, Inc. and MetroBank and First Indiana Corporation, FIC Acquisition Corp. and First Indiana Bank, National Association incorporated by reference to Exhibit 2 of the Form 8-K filed September 6, 2002.
3(i)	Articles of Incorporation of First Indiana Corporation, incorporated by reference to Exhibit 3(a) to the Annual Report on Form 10-K of First Indiana Corporation for the year ended December 31, 2000.
3(ii)	Amended and Restated Bylaws of First Indiana Corporation, incorporated by reference to Exhibit 3(b) to the Annual Report on Form 10-K of First Indiana Corporation for the year ended December 31, 2000.
4	Amendment to Rights Agreement, incorporated by reference to Exhibit 4 of the Form 10-Q of First Indiana Corporation, which was filed on May 13, 2002.
99	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

(i)	On July 17, 2002, a Form 8-K was filed related to the July 16, 2002, second quarter 2002 earnings release.
(ii)	On July 25, 2002, a Form 8-K was filed related to the July 23, 2002, press release announcing the declaration of a quarterly dividend.
(iii)	On August 9, 2002, a Form 8-K was filed related to a slide presentation given to various investor groups on August 8, 2002.
(iv)	On September 4, 2002, a Form 8-K was filed related to the agreement to purchase the outstanding shares of MetroBanCorp.
(v)	On September 6, 2002, a Form 8-K was filed with the Agreement and Plan of Merger dated September 4, 2002, by and among MetroBanCorp, Inc. and MetroBank and First Indiana Corporation, FIC Acquisition Corp. and First Indiana Bank, National Association.
(vi)	On October 11, 2002, a Form 8-K/A was filed related to a slide presentation given to various investor groups on August 8, 2002.
(vii)	On October 17, 2002, a Form 8-K was filed related to the October 16, 2002, third quarter 2002 earnings release.
(viii)	On October 23, 2002, a Form 8-K was filed related to the October 23, 2002, press release announcing the declaration of a quarterly dividend.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

First Indiana Corporation

October 31, 2002

Owen B. Melton, Jr.
President

October 31, 2002

William J. Brunner
Vice President and Treasurer
(Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Marni McKinney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Indiana Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant’s other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

Marni McKinney
Vice Chairman and
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, William J. Brunner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Indiana Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

William J. Brunner
Vice President and Treasurer

Exhibit 99

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in her capacity as an officer of First Indiana Corporation ("First Indiana"), that, to her knowledge:

(1) the Quarterly Report of First Indiana on Form 10-Q for the period ended September 30, 2002, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of First Indiana.

Dated: October 31, 2002

Marni McKinney
Vice Chairman and
Chief Executive Officer

Exhibit 99

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of First Indiana Corporation ("First Indiana"), that, to his knowledge:

(1) the Quarterly Report of First Indiana on Form 10-Q for the period ended September 30, 2002, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of First Indiana.

Dated: October 31, 2002

William J. Brunner
Vice President and Treasurer