



## Meeting of Shareholders

May 17, 2010

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Since our last meeting...



# Internet Initiatives

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- ▶ Rebranded website launched to widespread customer approval
- ▶ Social media presence to enhance customer communications
- ▶ Remote deposit for consumers
- ▶ Enhanced mortgage lending platform





Contact Us | Open an Account |

**LOGIN**

User ID:

Password:

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**New User? Enroll Now!**

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## Freedom of CHOICE.

Check your account balance through:  
Online Banking, Mobile Web, Quicken®  
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### Compare Our Rates

Product	National Average	First IB	
<a href="#">Interest Checking</a>	0.27% APY*	1.00% APY*	<input type="button" value="Apply"/>
<a href="#">Money Market Savings</a>	0.38% APY*	1.25% APY* and up	<input type="button" value="Apply"/>

First IB now offers

## HOME EQUITY

loans & lines of credit

For a limited time, First IB will pay for closing costs\* on new home equity applications.  
(\*See restrictions.)



\*APY = Annual Percentage Yield  
First IB rates accurate as of 12/18/09  
Click product name for complete account details  
National Average provided by Informa Research Services, Inc., 12/14/09

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Member FDIC, Equal Housing Lender



User ID

Password

Forgot [password?](#)

- GREETINGS
- BANKING
- INVESTMENTS
- LOANS
- BUSINESS

## Welcome.

### How may we help you today?

You've arrived at First Internet Bank: a modern online bank with timeless banking principles. Come to us for the convenience and accessibility of banking online without sacrificing the personal service of traditional brick-and-mortar institutions.

Please, take a look around. We're here to empower you to manage and plan your finances with ease!



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- PRODUCTS & SERVICES
- ABOUT THE BANK
- TOOLS & RESOURCES
- TALK TO FIRST IB



#### Meet First IB

What makes us different from other banking options? Check out our Welcome video for a quick introduction. [Learn more.](#)



#### Mortgage Calculators

New home? Refinancing? Our calculators can help you decide what's best for your specific situation. [Learn more.](#)



#### Mortgage Rate Quotes

With our low overhead, we can keep rates and closing costs low. Put us to the test with a free, personalized rate quote. [Learn more.](#)

Follow us online:



# New Look, Same Values

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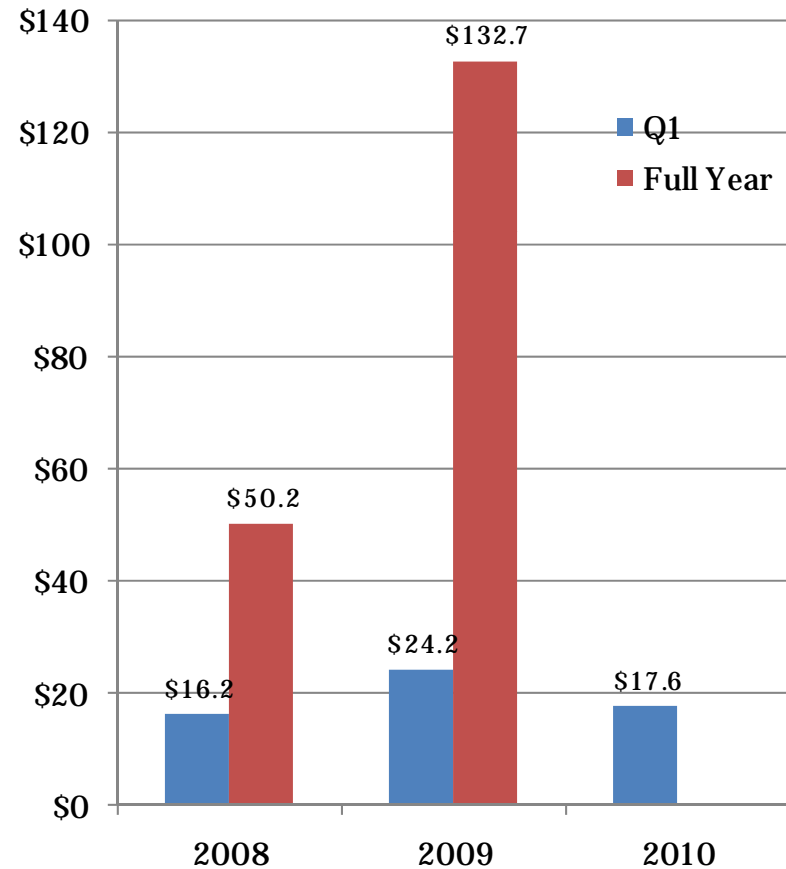
- ▶ **Nine month initiative to identify our customers' needs and wants**
  - ▶ In depth review of market studies
  - ▶ Surveys of our customers
- ▶ **Knowledge led rebrand effort**
  - ▶ Value proposition speaks to our understanding of customers' pains and fears
  - ▶ Website design highlights the most complete product and service offering of any Internet bank
  - ▶ Tone and site features engage customers at a deeper level
- ▶ **First Internet Bank: A modern online bank with timeless banking principles**



# Enhanced Mortgage Platform

- ▶ Dissolved Landmark Mortgage Company, effective June 1, 2009
  - ▶ All mortgage origination now occurs through First Internet Bank
  - ▶ Result is greater efficiency and cost savings
- ▶ Deepening customer relationships: Former mortgage clients and existing First IB customers a significant portion of our business
- ▶ Ramped up online mortgage lending operation in the second half of 2009
  - ▶ Believe refi boom spurred in 2009 by low interest rates has ended
  - ▶ In a learning curve as we transition from traditional to online lead generation

Mortgage Originations Held For Sale  
(millions)



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# Financial Performance



## 2009 Financial Results: Income Statement

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**Net Loss of \$2.1 Million (\$1.12 per share)**

Income Statement Line	Change from 2008	Contributing Factors
Net interest income	\$1.5MM	Improved net interest margins
Noninterest income	\$318K	Increased mortgage loan gain on sale partially offset by \$300K OTTI loss
Provision for loan loss expense	<b>\$6.7MM</b>	Economic conditions eroding consumer and businesses financial health; \$3.0 million increase in allowance for loan & lease losses due to one borrower
Noninterest expense	<b>\$860K</b>	\$724K increase in deposit insurance premiums



## Q1 2010 Financial Results: Income Statement

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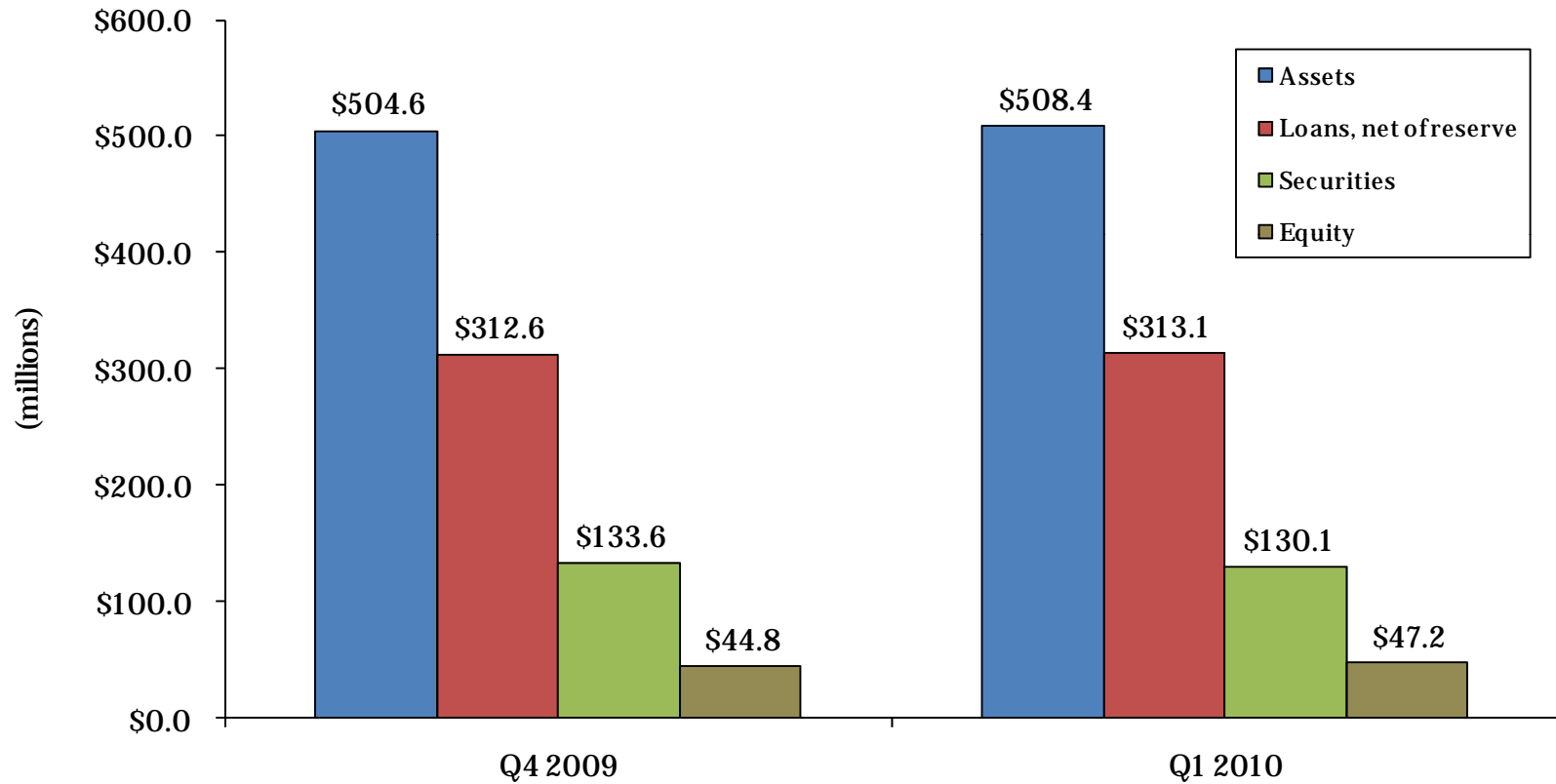
**Net Income of \$2.3 Million (\$1.21 per share)**

Income Statement Line	Change from 2009	Contributing Factors
Net interest income	\$667K	Improved net interest margins
Provision for loan loss expense	\$3.8MM	Reversal of \$2.4MM from one \$3.0MM charge in Q4

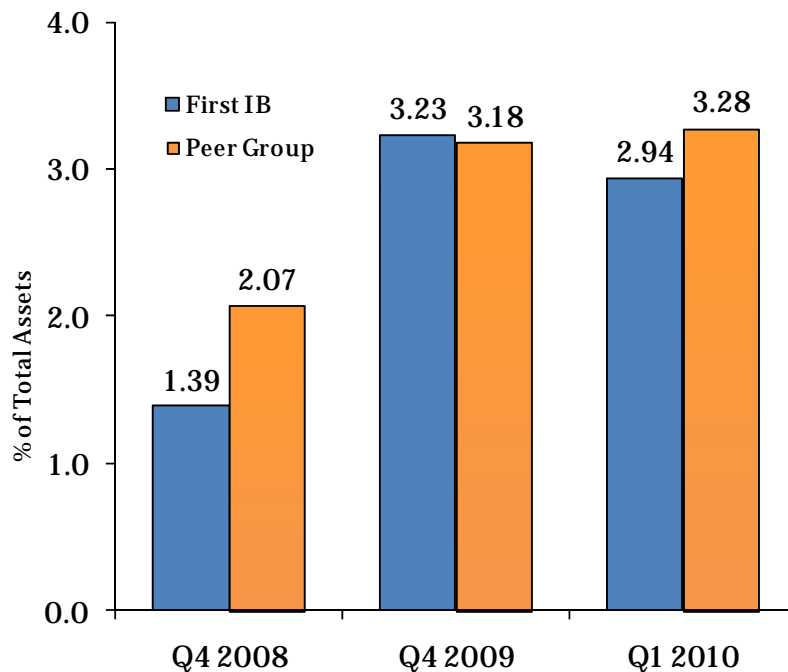


# Balance Sheet

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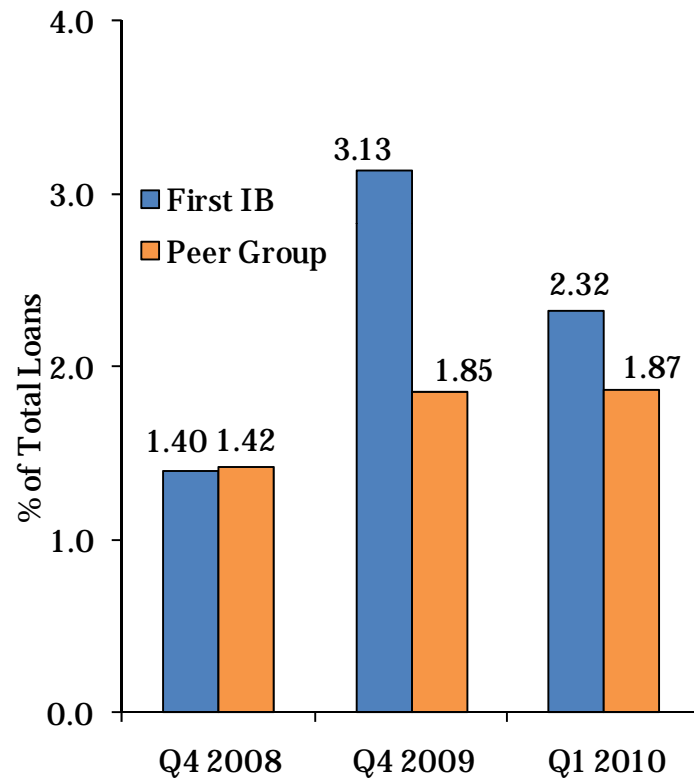
# Managing Portfolio Loan Delinquency



- ▶ Substantial increase in loans 90+ days past due and non-accrual loans
- ▶ Q4 2009 reflects \$3.0MM of additional non-accrual loans for single commercial credit; will remain in non-accrual status for six months despite being brought current Q1 2010

# Allowance for Loan and Lease Losses

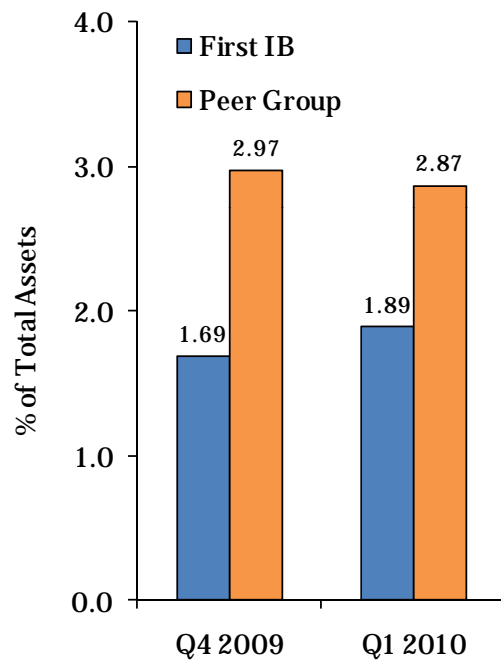
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- ▶ Significant overall increase in ALLL in recognition of 2009s general economic trends (adjusted for single credit reversal)
- ▶ Improving trends in unemployment, consumer spending and specifically the Banks loan default experience

# Continue to Leverage Operating Model

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- ▶ First IB continues to enjoy favorable operating costs (noninterest expense) relative to its peers

# Capital Position

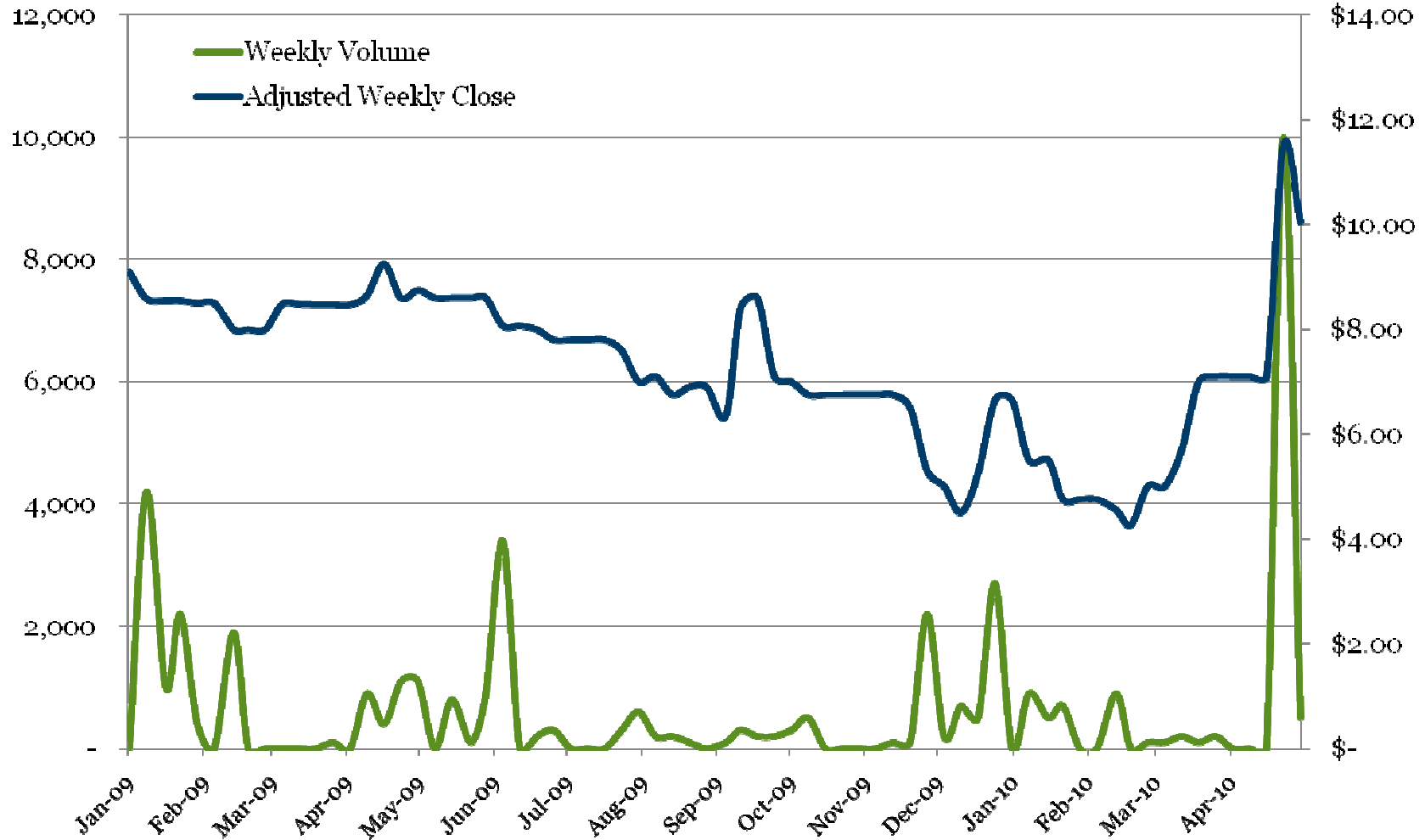
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- ▶ All regulatory capital ratios are above the “well capitalized” threshold by a substantial margin
- ▶ Informal agreement with regulators to maintain an 8% Tier I to Average Asset ratio and Total Capital to Risk Weighted Assets ratio of 11%
- ▶ Divergent interests of shareholders and regulators, these competing interests must be balanced

As of March 31, 2010	Actual Capital Ratio	Well Capitalized Requirement	Minimum Requirement
Total Capital to Risk Weighted Assets	11.36%	10.0%	8.0%
Tier I to Risk Weighted Assets	10.10%	6.0%	4.0%
Tier I to Average Assets	8.14%	5.0%	4.0%



# Share Price and Trading Volume



Source: Yahoo! Finance

# Share Price Volatility Compared to Market



► Source: Yahoo! Finance

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Look Ahead



# Earning Asset Initiatives

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- ▶ Good risk/reward opportunities currently exist for banks with liquidity, adequate capital and robust underwriting capability
  - ▶ **Commercial Real Estate**
    - ▶ Significant amount of loans needing to be shed by banks with excess commercial real estate loans outstanding either at maturity or prior
    - ▶ Challenge is to find strong sponsors with equity to commit to the projects
  - ▶ **Jumbo Mortgages**
    - ▶ Portfolio loans; added construction-to-perm loan offering
    - ▶ Purchased loan pool, whole loan transactions; \$40MM purchased in 2009



# Strategic Initiatives

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- ▶ Acquisition
  - ▶ FDIC assisted transactions
  - ▶ Traditional opportunities
- ▶ Capital Raise
  - ▶ Reviewing receptiveness of equity markets, both public and private
  - ▶ Dilution of existing shareholders a consideration
- ▶ Other



# 2010 Projections

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- ▶ **Minimal balance sheet growth**
  - ▶ Asset mix reallocation
    - ▶ Continued reduction of consumer installment lending
    - ▶ Reinvesting cash flows into selected mortgage and commercial real estate loans
  - ▶ Investment of cash equivalents into securities or whole loans as considered appropriate
  - ▶ Focus on asset opportunities or lack thereof to dictate balance sheet size
- ▶ **Net Income improvement as compared to 2009**
  - ▶ Q1 2010 impact of ALLL reversal mostly due to single credit – one time
  - ▶ Improvement in net interest margin should carry through 2010
  - ▶ Reduction in provision for loan loss expense based upon improved loan defaults
- ▶ **Factors affecting these predictions**
  - ▶ Fed and Treasury actions and competitive reaction to these events
  - ▶ Economic factors, including interest rates, employment, housing prices, consumer confidence, consumer and business spending, etc.



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Thank you for joining us today!

**FIRST INTERNET**  
BANCORP

