

# First Internet Bancorp Annual Meeting of Shareholders

May 23, 2011

# Safe Harbor Statement

*Statements in this presentation which express “belief,” “intention,” “expectation,” and similar expressions, identify forward-looking statements. Such forward-looking statements are based on the beliefs of First Internet Bancorp management, as well as assumptions made by, and information currently available to, such management. Such statements are inherently uncertain and there can be no assurance that the underlying assumptions will prove to be accurate. Actual results could differ materially from those contemplated by the forward-looking statements. Any forward-looking statements in this presentation are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.*

# Who We Are

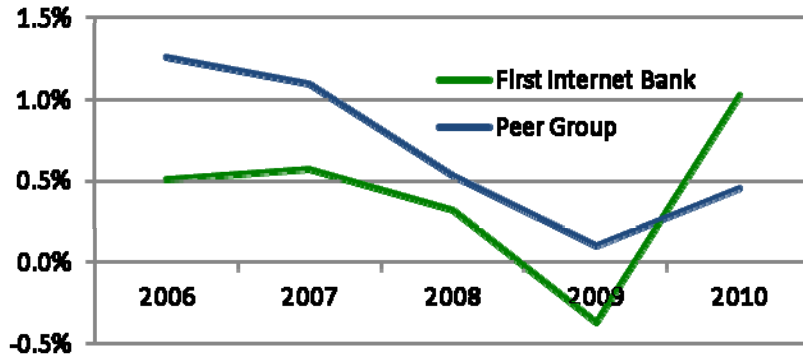
- Single-bank holding company
  - First Internet Bank launched 1999
  - The first state-chartered, FDIC-insured Internet bank
- First IB customers seek self-directed financial service solutions
  - Nationwide customer base served from a single location in Indianapolis
  - Proven online retail banking and lending platform using best-of-breed technology backed by exceptional service
  - Low cost delivery channel translates to customer value
    - Higher deposit rates
    - Lower loan fees and rates
  - Unparalleled financial management tools and customer convenience

# How We Compare

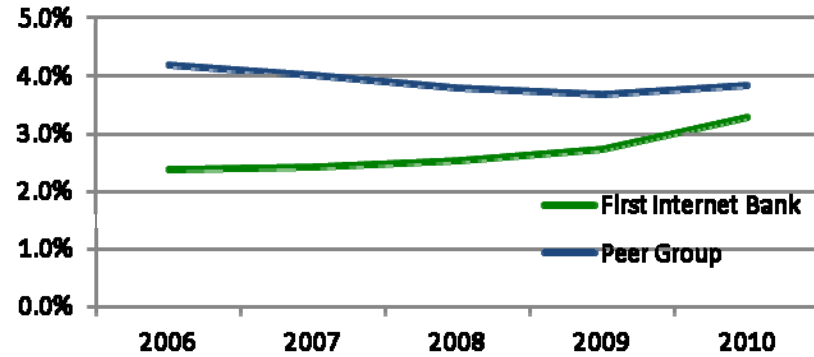
- Non-traditional model
- Financial performance improved during 2010, narrowing performance gap to peers
- Key results snapshot for last five years
  - Return on Average Assets (ROAA)
  - Return on Average Equity (ROAE)
  - Net Interest Margin (NIM)
  - Texas Ratio

# First Internet Bank Performance Trends

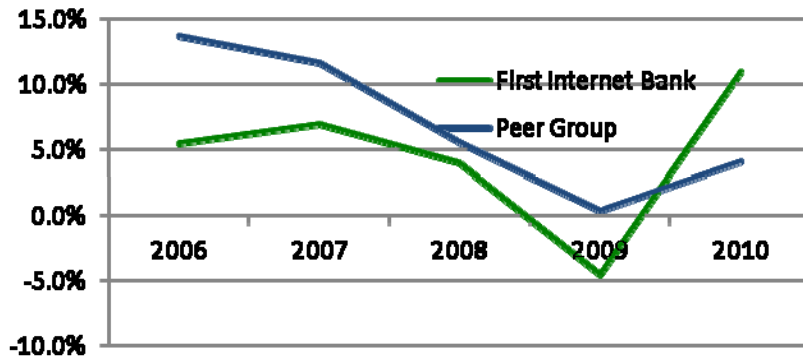
**ROAA**



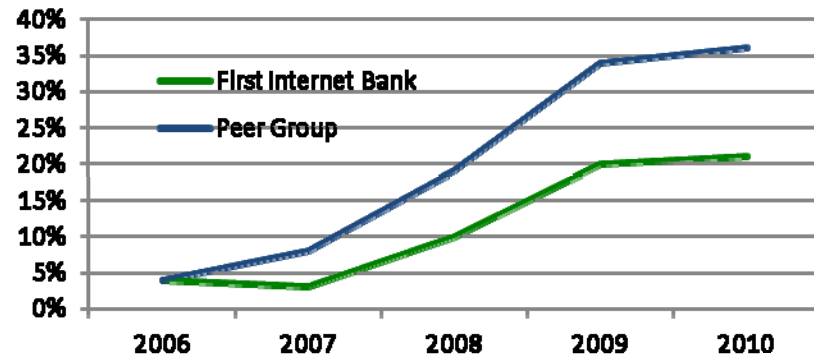
**NIM**



**ROAE**



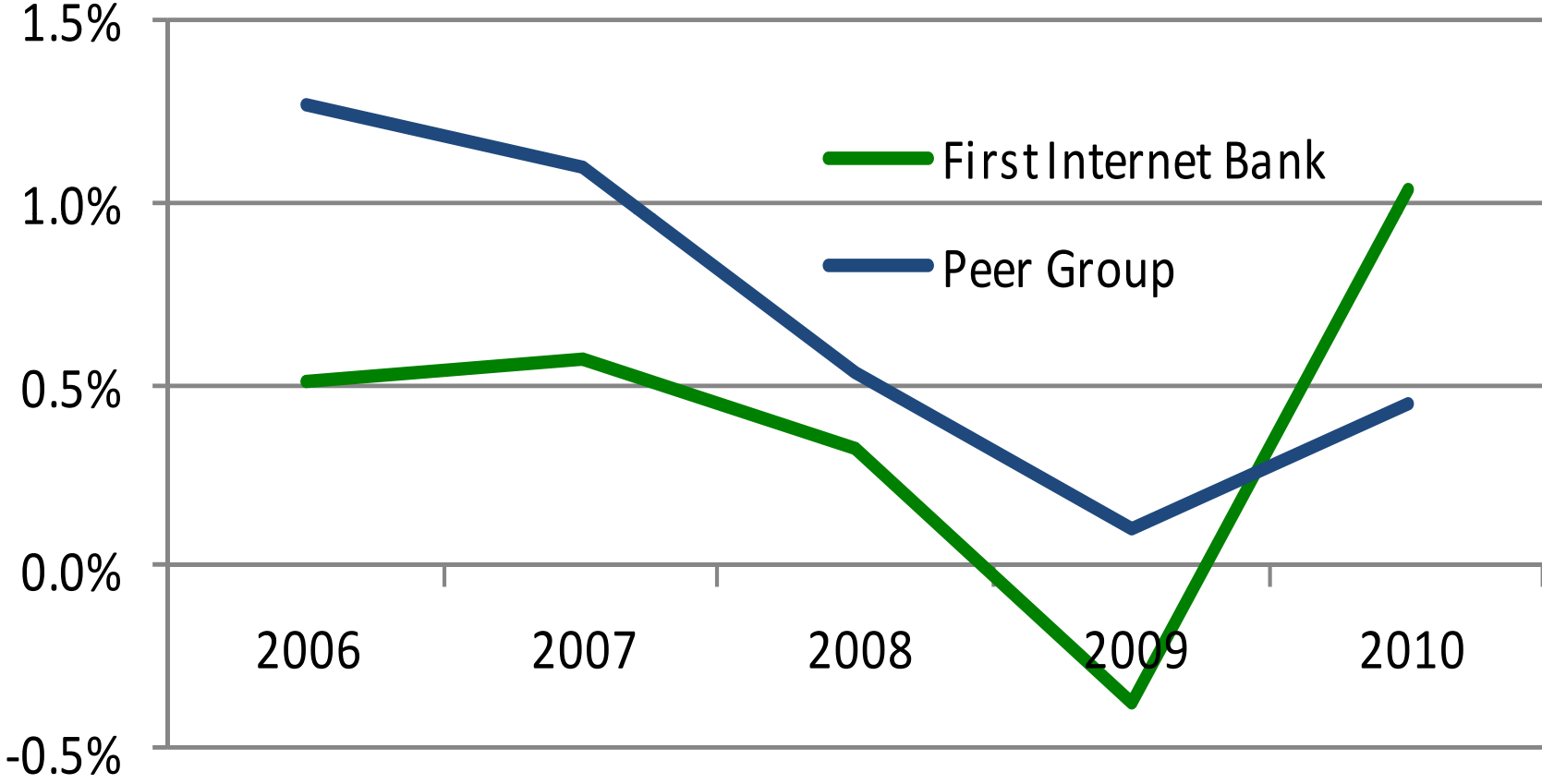
**Texas Ratio**



Source: FFIEC Uniform Bank Performance Reports

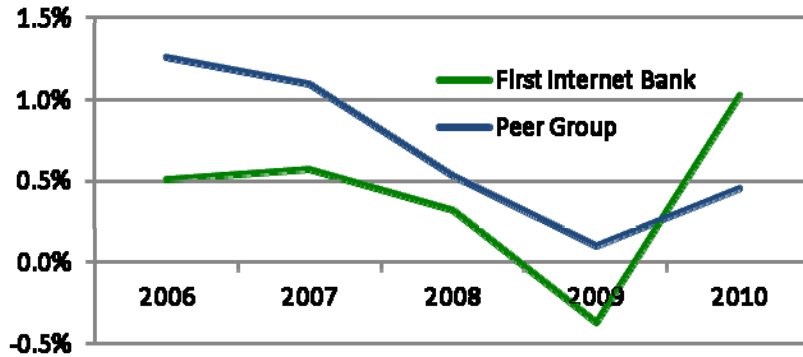


# Return on Average Assets

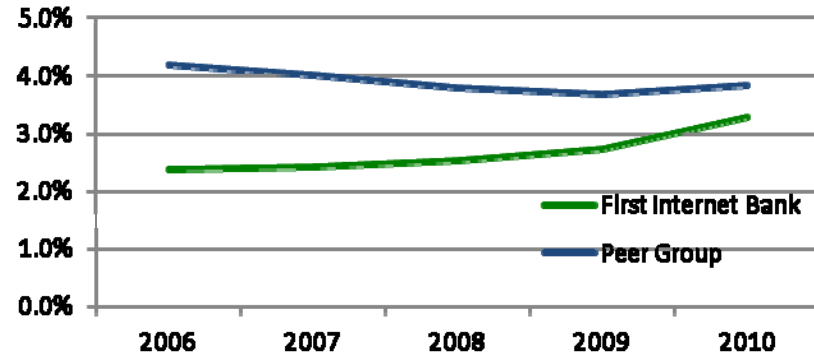


# First Internet Bank Performance Trends

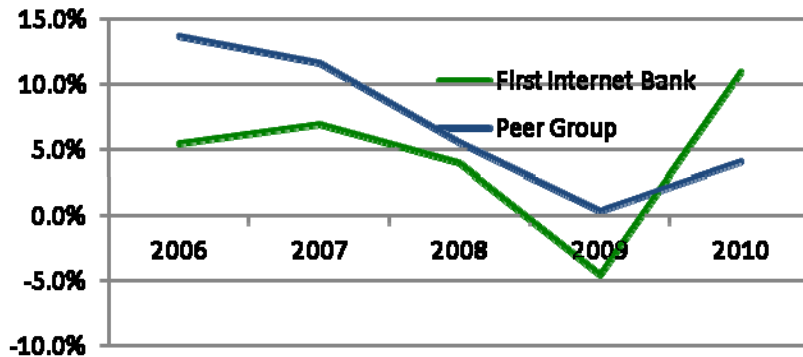
**ROAA**



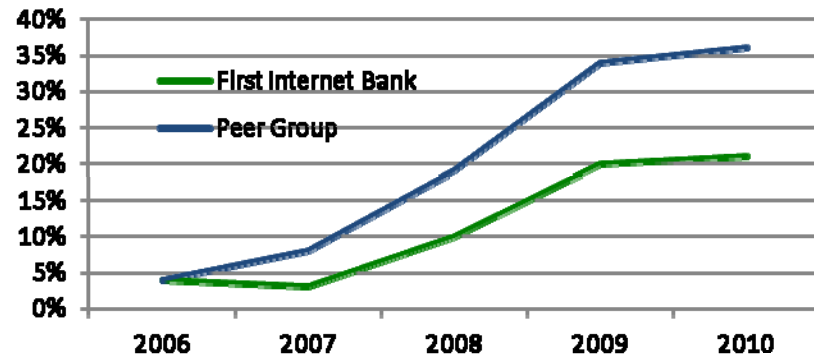
**NIM**



**ROAE**



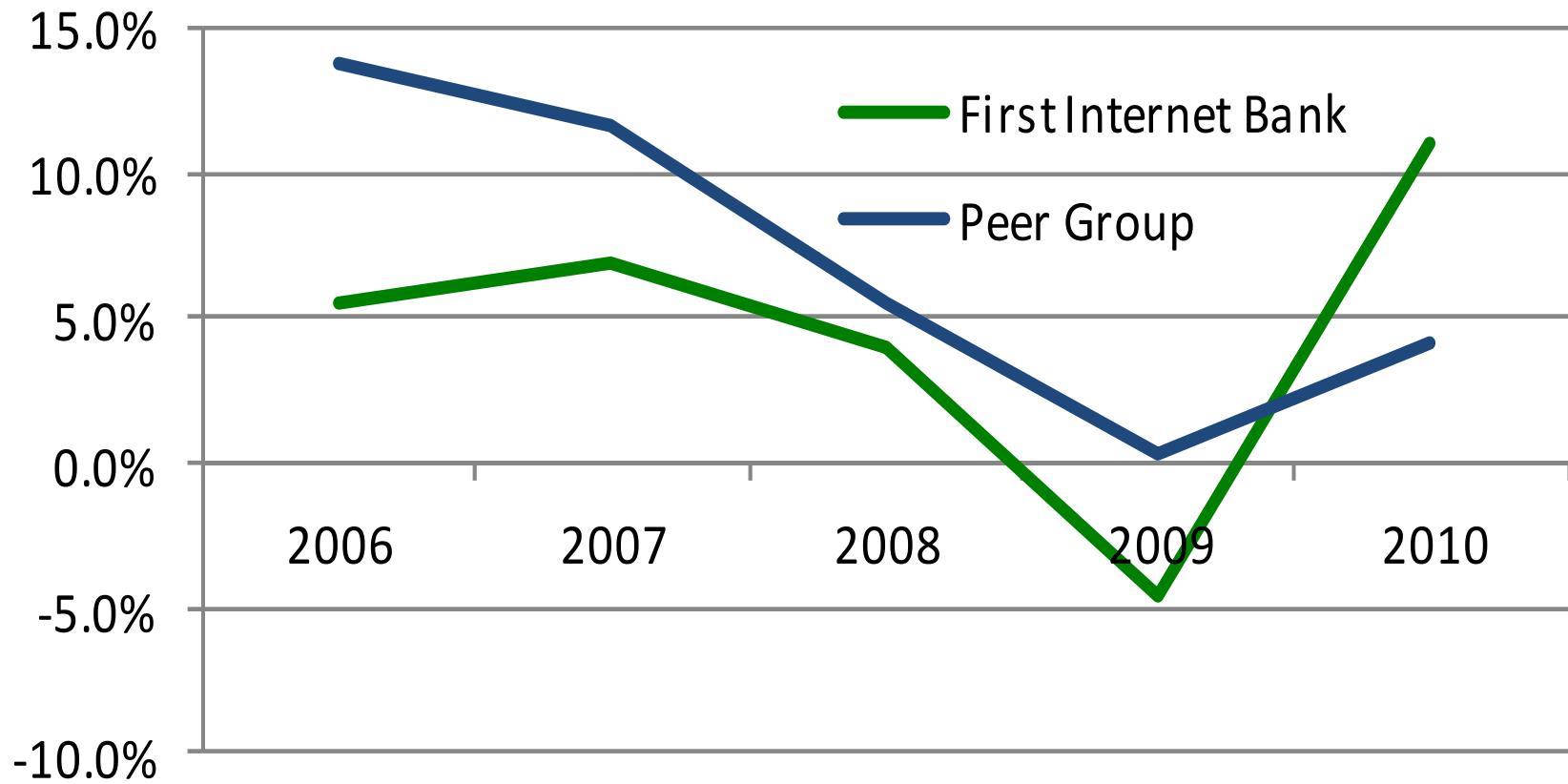
**Texas Ratio**



Source: FFIEC Uniform Bank Performance Reports



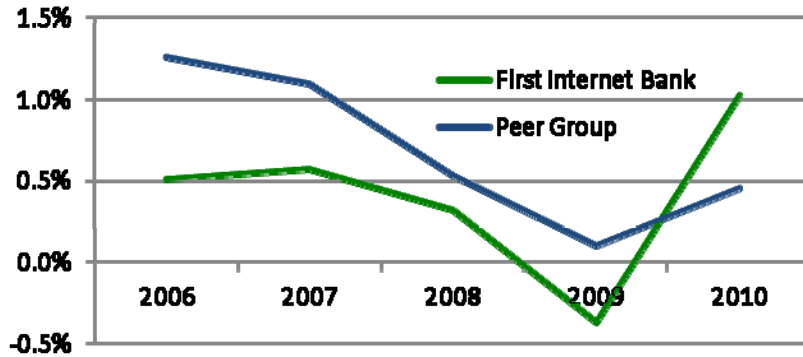
## Return on Average Equity



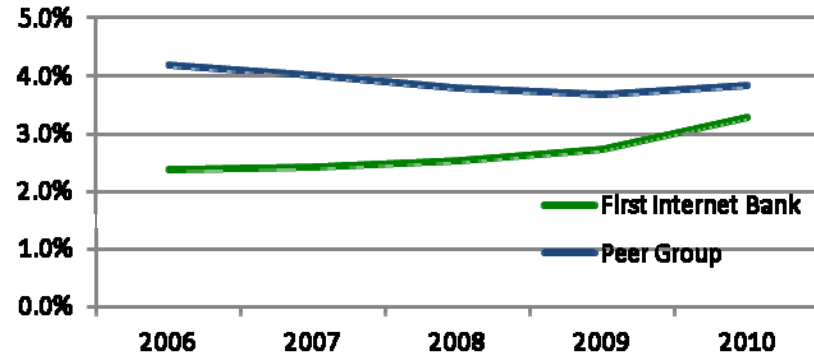


# First Internet Bank Performance Trends

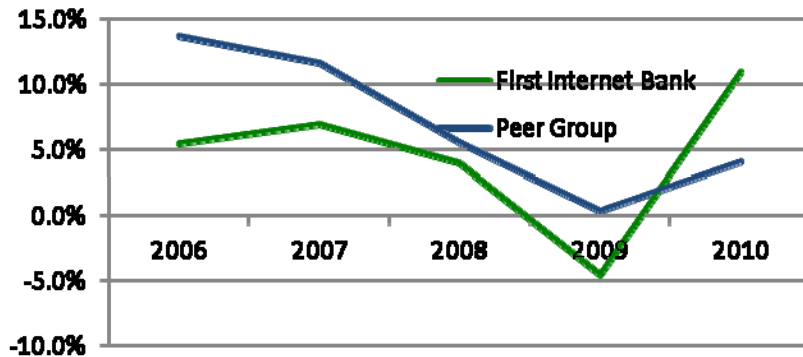
**ROAA**



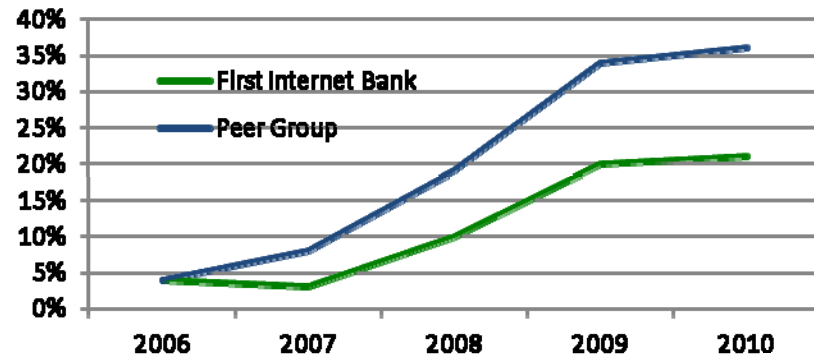
**NIM**



**ROAE**



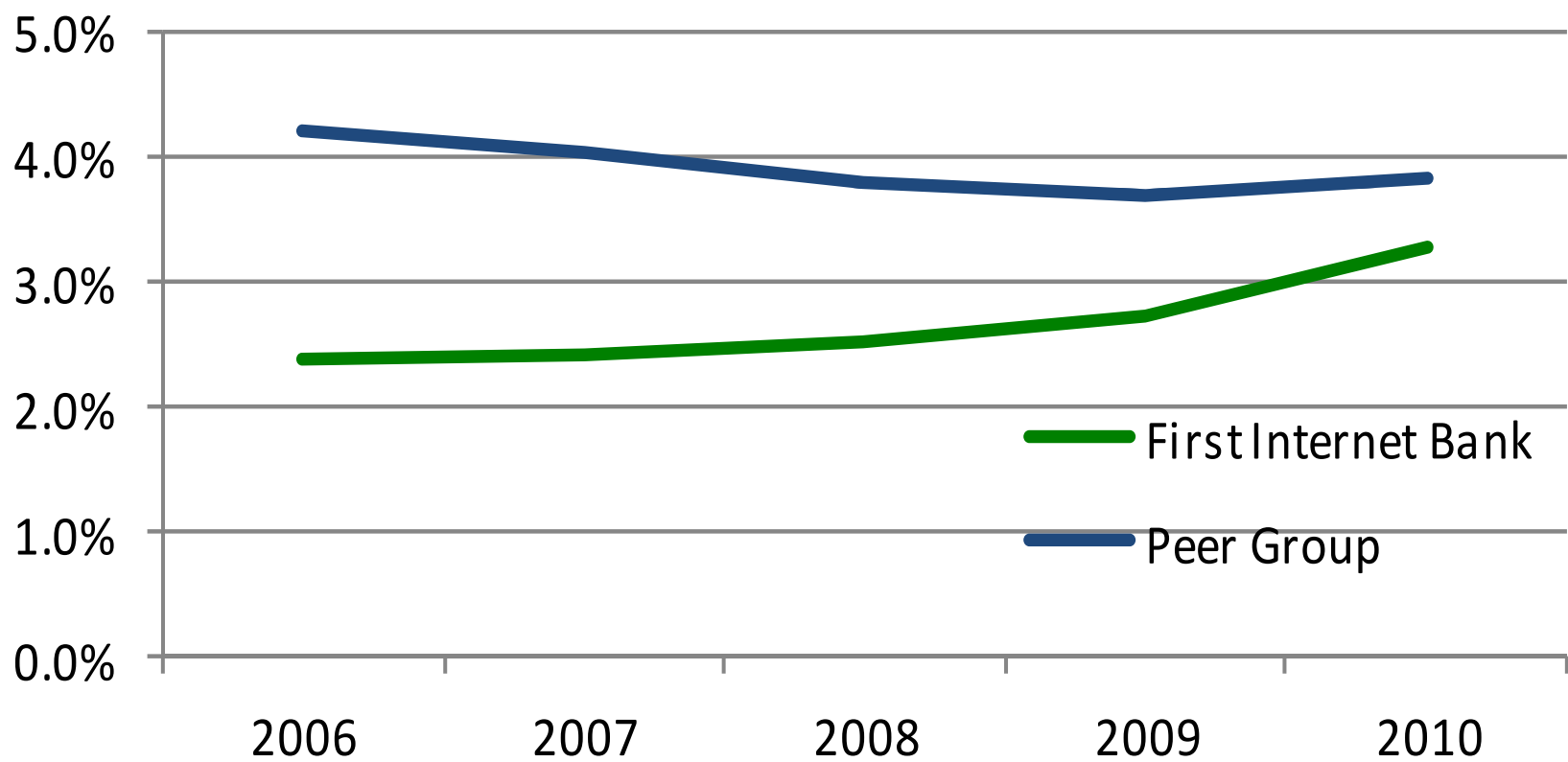
**Texas Ratio**



Source: FFIEC Uniform Bank Performance Reports

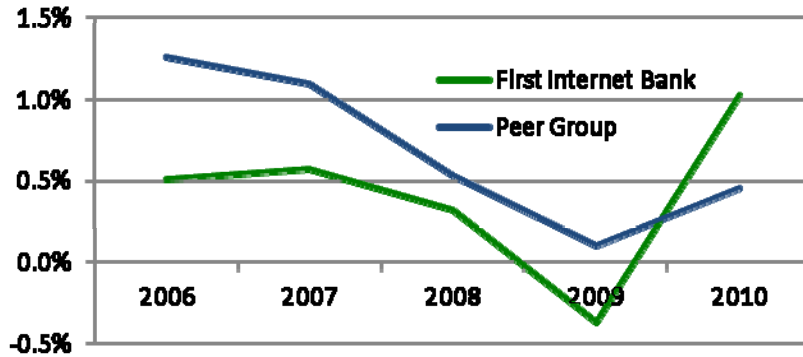


## Net Interest Margin

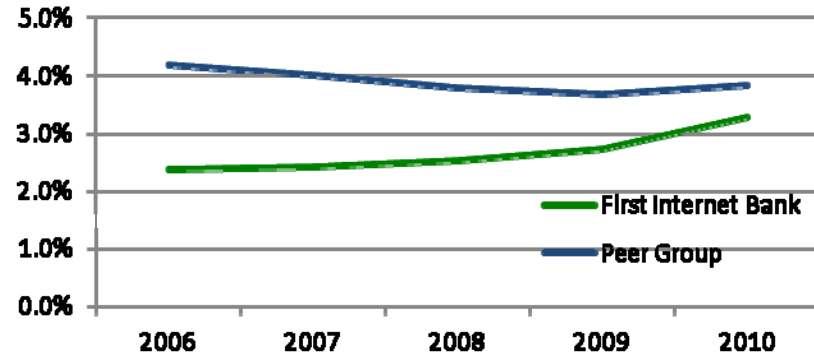


# First Internet Bank Performance Trends

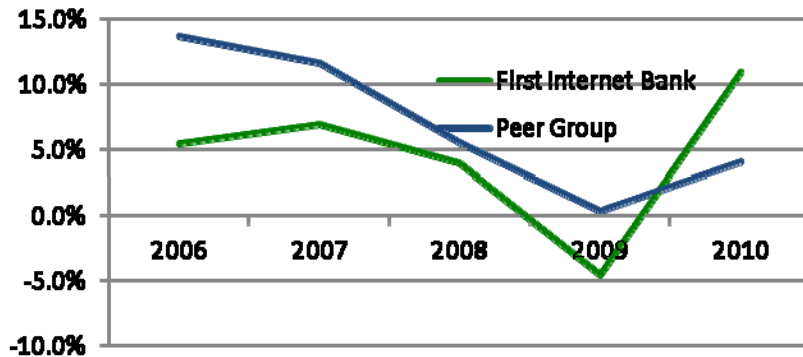
**ROAA**



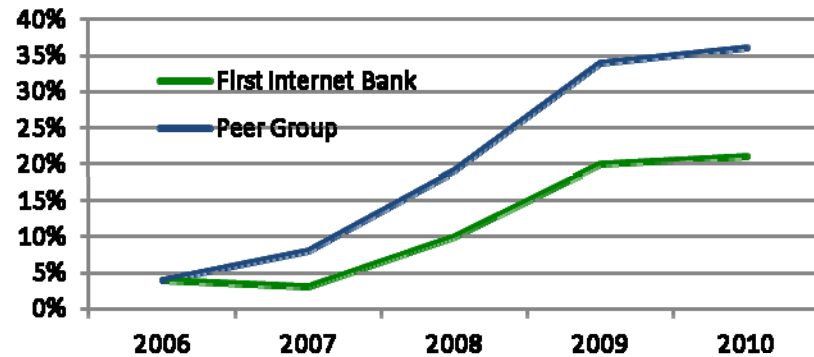
**NIM**



**ROAE**



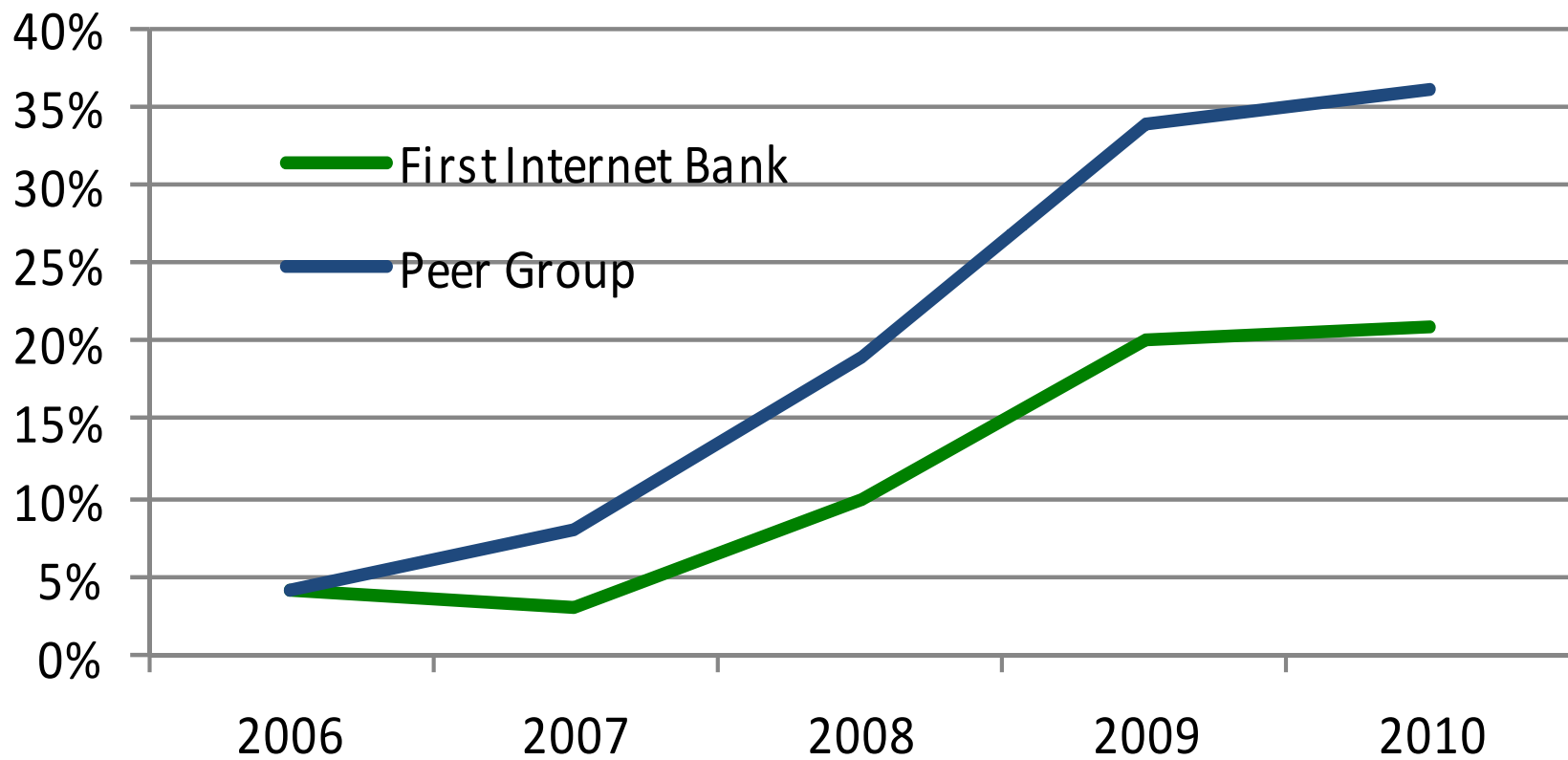
**Texas Ratio**



Source: FFIEC Uniform Bank Performance Reports



## Texas Ratio



2010 in Review and First Quarter 2011

# OUR RECENT PERFORMANCE

# 2010 Financial Results

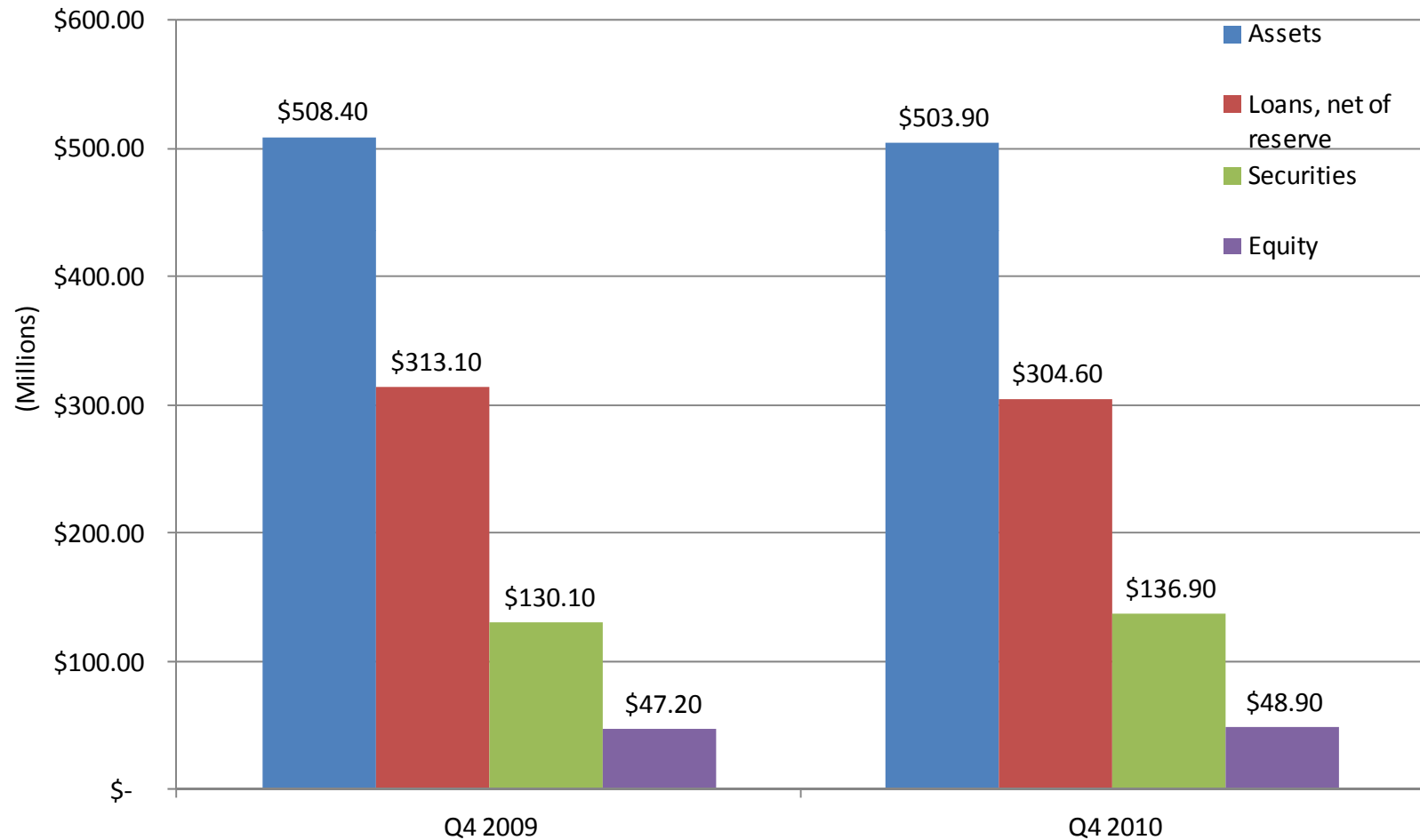
Record net income of \$4.95 million  
\$2.61 per share

Income Statement Line	2009	2010	Contributing Factors
Net Interest Income	\$13.7MM	\$14.5MM	Improved net interest margins
Non-interest income	\$2.9MM	\$3.4MM	\$1.1MM of increased mortgage loan gain on sale partially offset by additional OTTI expense
Provision for loan loss expense	\$11.6MM	\$0.9MM	Substantial reversal of one particular commercial credit charge, overall improvement in the level of loan charge-offs, changes in the Bank's loan mix and outstanding balances
Noninterest expense	\$9.3MM	\$10.4MM	Increased compensation, loan expenses and other operating expenses

# Q1 2011 Financial Results

- Net Income of \$532,342, or \$0.28 per share
- Non-Interest Income increased over Q1 2010
- Provision expense improved, exclusive of one-time reversal
- Deposits and loans growing again

# First Internet Bancorp Balance Sheet



Source: First Internet Bancorp





# First Internet Bancorp Balance Sheet



Source: First Internet Bancorp



Capital and Credit

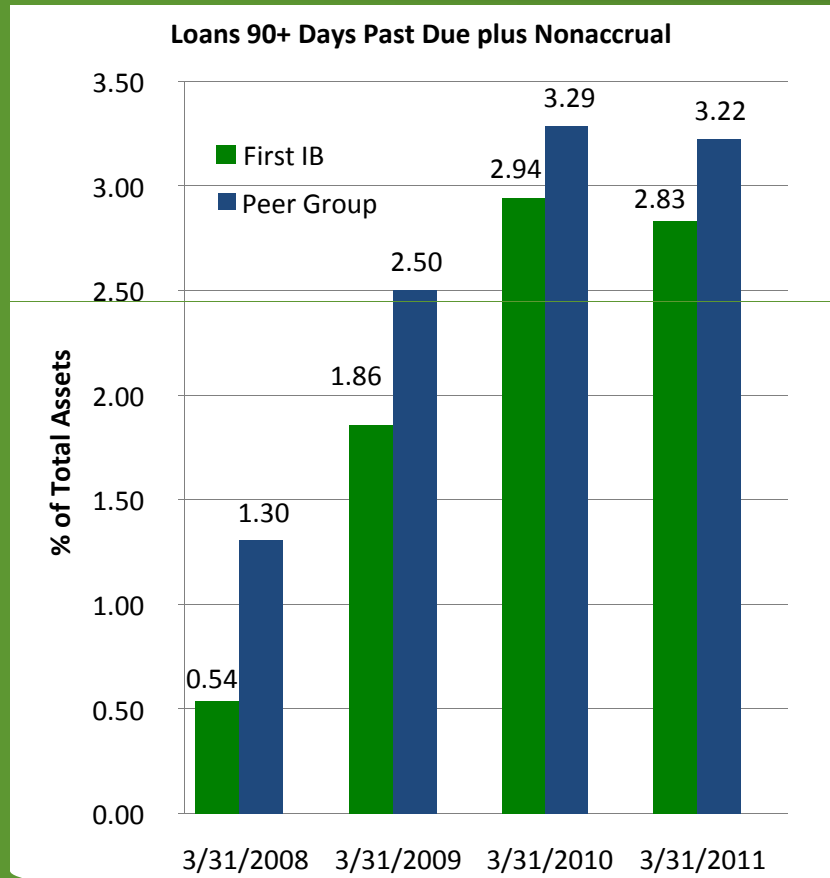
# OUR STRENGTHS

# First Internet Bancorp Capital

	12/31/2008	12/31/2009	3/31/2010	12/31/2010	03/31/2011
Tier One Capital Leverage Ratio	8.17	7.72	8.44	9.41	9.16
Tier One Capital to Risk-Weighted Assets	11.99	9.77	10.46	10.91	11.17
Total Risk-Based Capital to Risk-Weighted Assets	13.24	11.04	11.72	12.16	12.43

Source: First Internet Bancorp

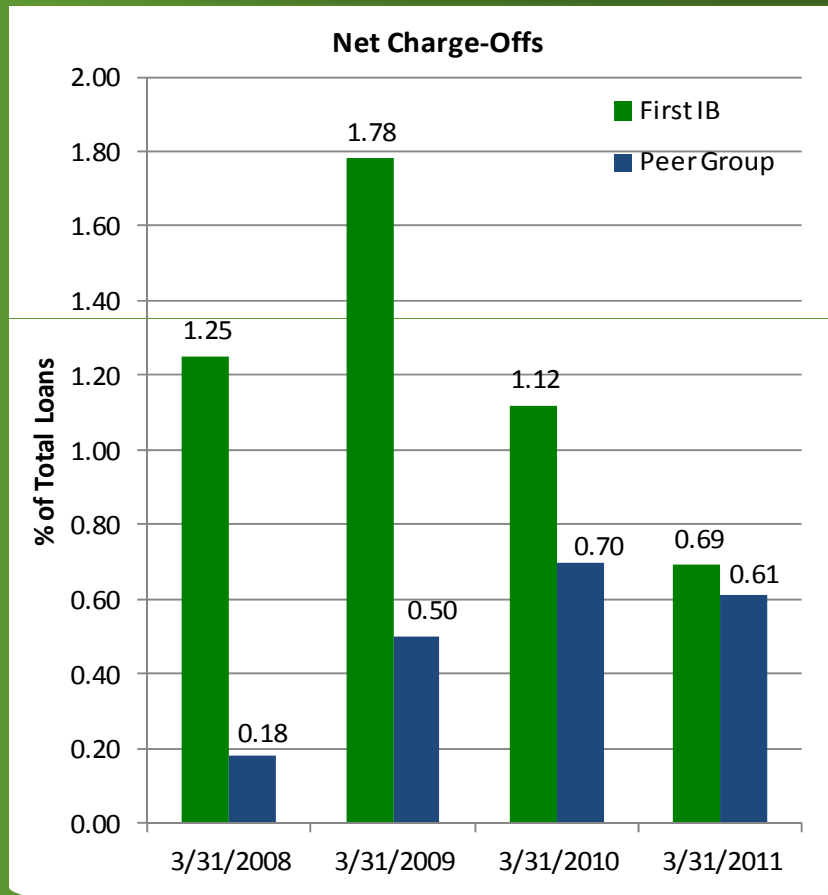
# Managing Portfolio Loan Delinquency



- Delinquency appears to have peaked, signs of improvement in 2011
- First IB loan portfolio delinquency remained less than peers' during the Great Recession

Source: FFIEC Uniform Bank Performance Reports

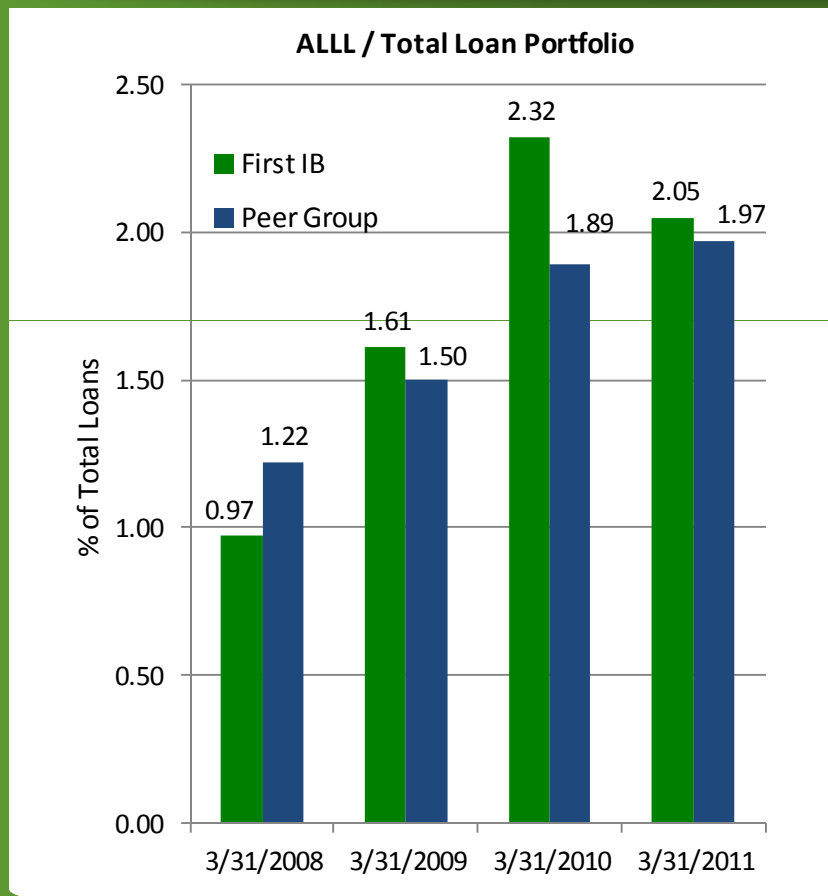
# Reducing Charge-Offs



- After highs in 2009, First IB loan charge-offs improved significantly
- First IB trending closer to peers last two years, persistent collection efforts and enhanced credit standards

Source: FFIEC Uniform Bank Performance Reports

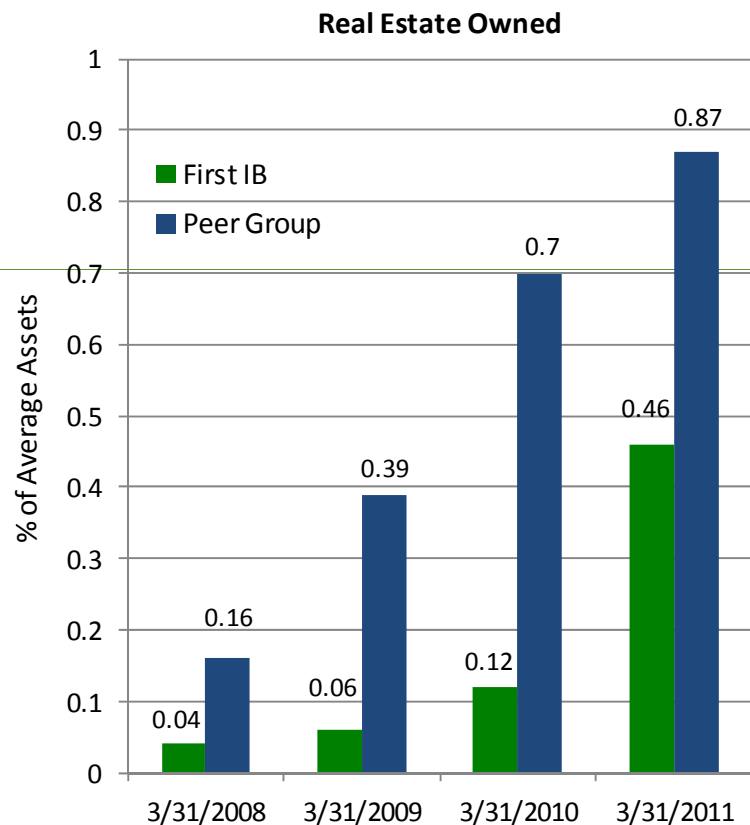
# Conservatively Controlling Allowance



- Allowance for Loan and Lease Losses remains above 2% of total loans, a historically high level
- Improving delinquency and charge-off levels leads to 2011 decrease

Source: FFIEC Uniform Bank Performance Reports

# Managing Real Estate Owned



- REO assets remain well below peers'
- First IB write-downs result in expense at time of reclassification and are representative of fair value
- REO not expected to be a source of material future losses

Source: FFIEC Uniform Bank Performance Reports

Review of Business Units

# OUR OPERATING INITIATIVES



# Retail Banking

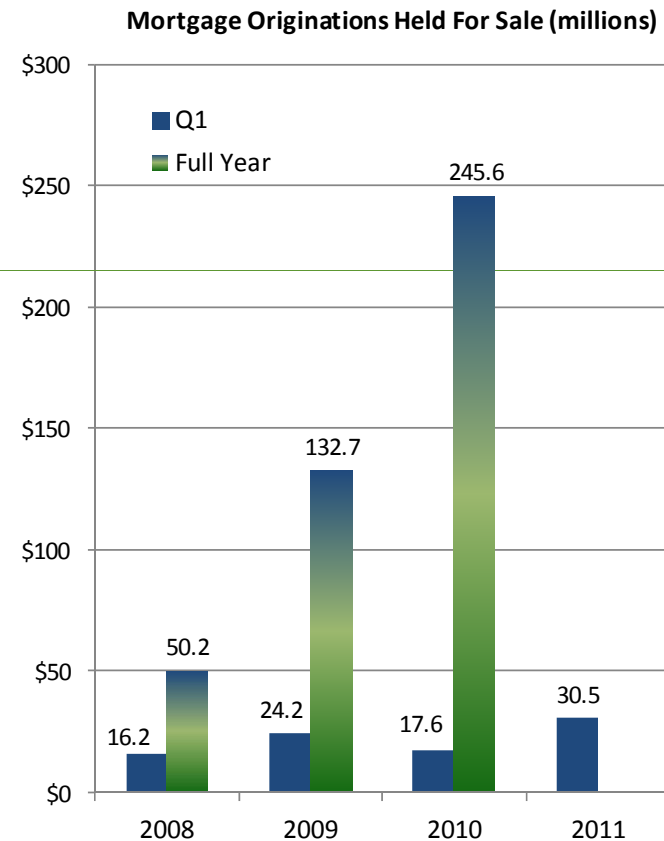
- Cost-effective, robust offering well positioned to attract consumers as other banks increase fees to replace lost income sources
- Added Text Message (SMS) banking in 2010, with added functionality in 2011
- Introduced debit card rewards product to deepen checking account retention/loyalty at a time when many big banks are retracting their programs
  - No expense impact
- Continued development and promotion of FinanceWorks
  - Consumers increasingly see value in personal financial management software, particularly following recession
  - Account aggregation appeals to affluent customers

# Mortgage Lending

- Continued investment in online mortgage platform
  - Increased marketing efforts and lead sources in 2011
  - Enhanced mortgage website expected to be live in second quarter to promote customer self-service
  - New loan origination system expected to be live in second quarter to enhance integration and improve productivity
  - Augmenting loan officer/sales staff with experienced professionals, compensation based primarily on origination volume

# Online Mortgage Originations

- Dramatic increase in 2010 mortgage loan originations possible because of online platform and favorable interest rate environment for refinance activity
- First IB mortgage overhead in 2010 similar to prior years
- First quarter mortgage loan originations reflect seasonality, second and third quarters tend to be strongest
- Currently mortgage originations are sold in the secondary market for an immediate gain on sale; alternatively in the right interest rate environment this loan production can add to portfolio loans and future interest income



Source: First Internet Bank

# Consumer Lending

- A redefined strategy for profitable portfolio loan growth
  - Began expansion of recreational product dealer network in April 2011
  - Maintaining high credit standards while making rate more competitive on select product offerings
  - Projecting ROA of 1.60% on new loan volumes
  - First IB investigating new consumer loan origination systems
  - Existing, experienced staff capable of origination volumes several times current levels

# Commercial Lending

- Historical focus on custom home building industry with loans to builders and developers
  - Spec homes, finished lots and – to a lesser degree – land development
- Custom home building expected to comprise less than 20% of commercial loan portfolio going forward
- Majority of Commercial Real Estate (“CRE”) efforts will be office, retail, industrial and multifamily loans in the region

# Commercial Lending

- Absence of significant CRE problem loan exposure allows for loan portfolio growth opportunity
  - Targeting \$18MM of 2011 originations
  - Approximately \$5MM added in first quarter
  - Increasing loan demand resulting in significant opportunities
  - Maintaining high credit standards and diligence in execution
- Current balance sheet capacity of \$100MM reasonable with existing systems and staff

# Commercial Lending

- Commercial loan team comprised primarily of seasoned CRE lenders with large regional bank experience
  - Team lead has experience with previous successful start-up effort
  - Lending team experience exceeds 100 years with strong regional ties
  - Previous employers include Chase (Bank One), Huntington, M&I (First Indiana)

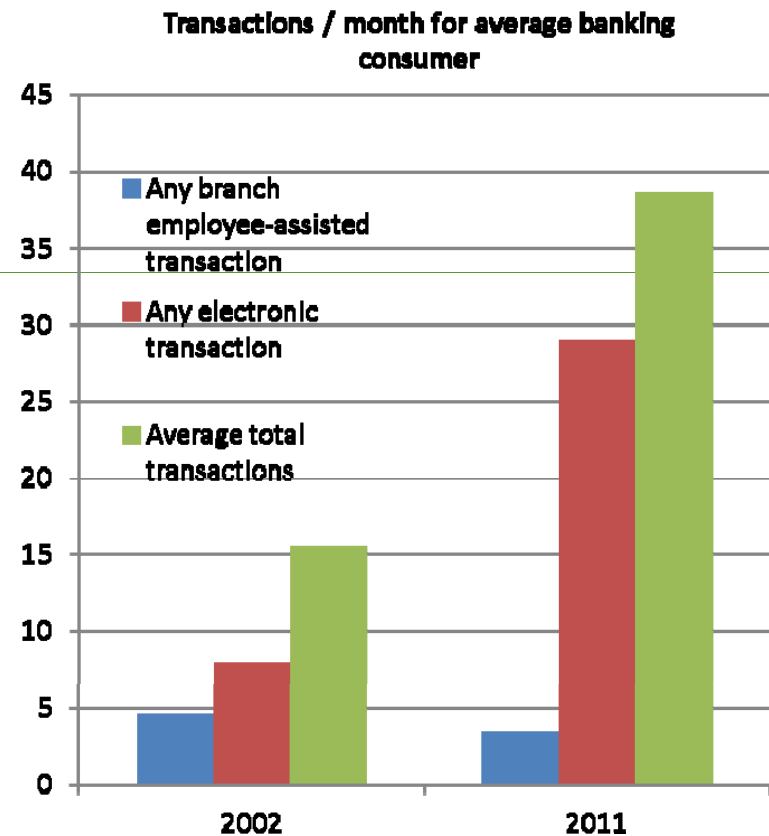
Enhancing Shareholder Value

# OUR POTENTIAL



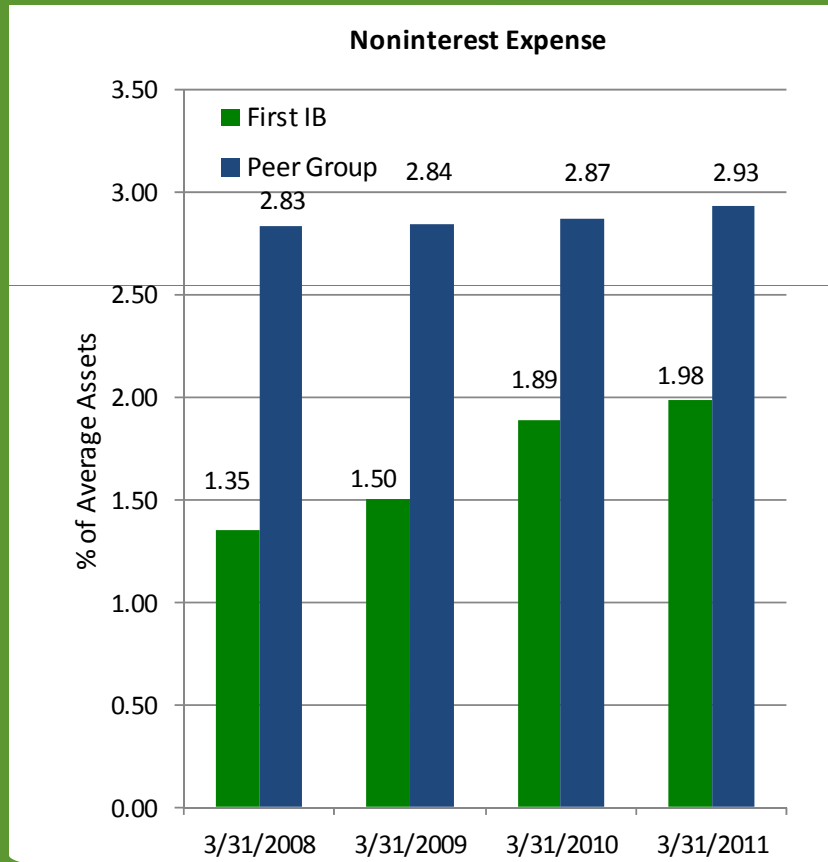
# Electronic Banking Goes Mainstream

- 98% of banking consumers conduct at least one electronic transaction/month
- In-branch banking becoming less popular



Source: Raddon Financial Group

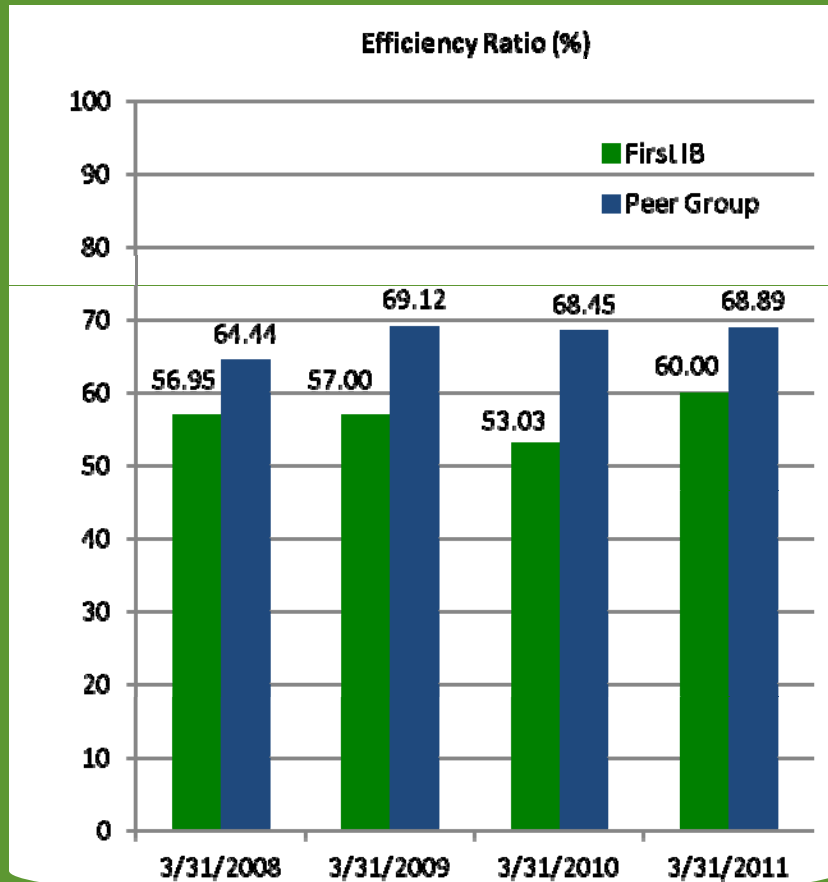
# Continue to Leverage Operating Model



- First IB continues to enjoy favorable operating costs (noninterest expense) relative to its peers
- “Big ticket” expenditures (data processing, management additions) locked in for doubling asset size
- Overhead/asset ratio will trend down with expected growth

Source: FFIEC Uniform Bank Performance Reports

# Reaping Rewards of Low Efficiency Ratio



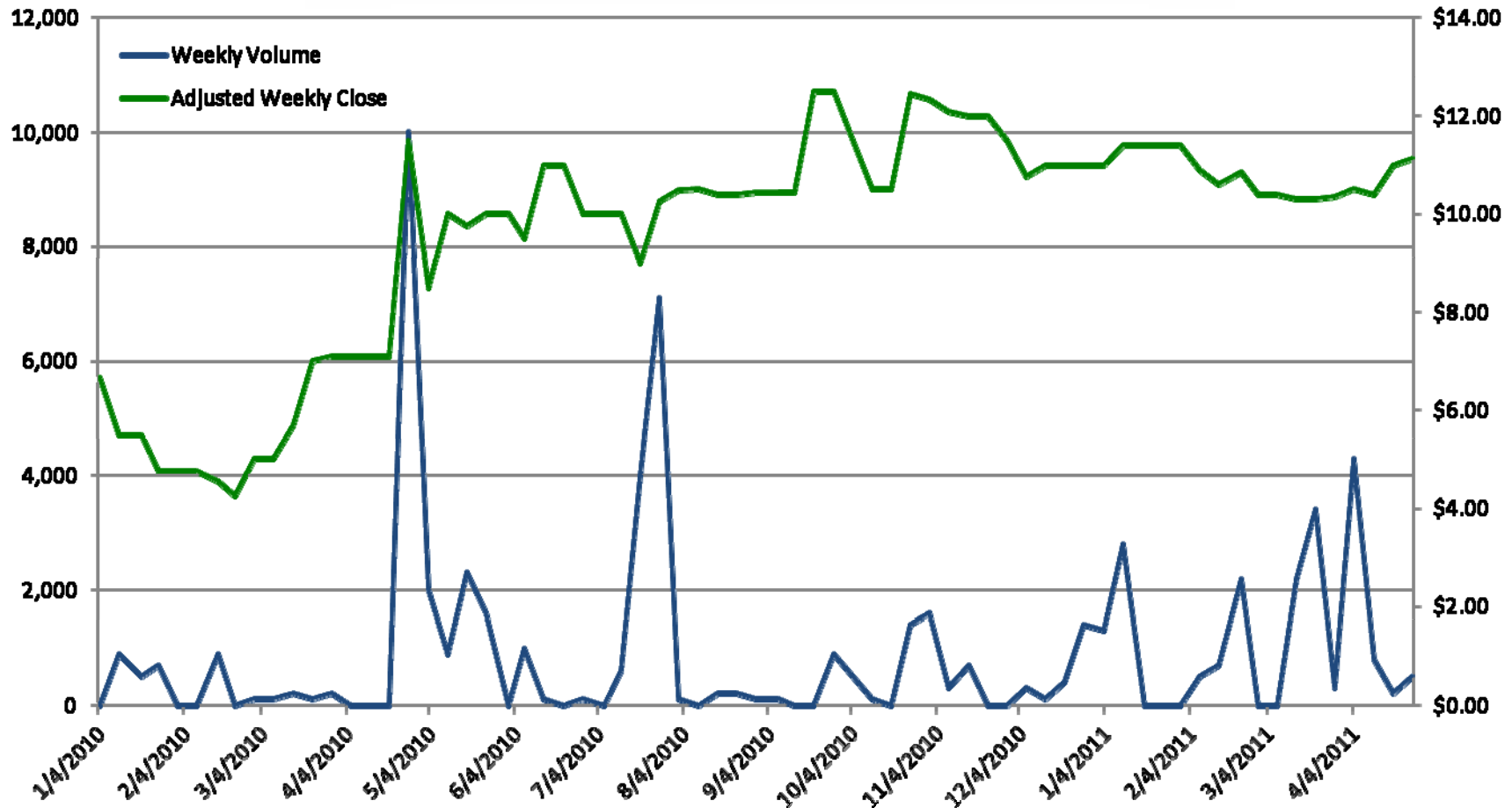
- First IB continues to be more efficient than peers
- Expect future improvement in First IB ratio as new revenue sources commence, i.e. commercial lending

Source: FFIEC Uniform Bank Performance Reports

# FIBP Share Price Upside Potential

- FIBP trading at 45% to tangible book value as of March 31, 2011
- Stock performance inconsistent with financial performance, capital levels, credit quality and management capability
- Possible reasons:
  - Limited shareholder liquidity with bulletin board trading
  - Net interest margin lower than peers
  - Banks remain an unpopular investment choice

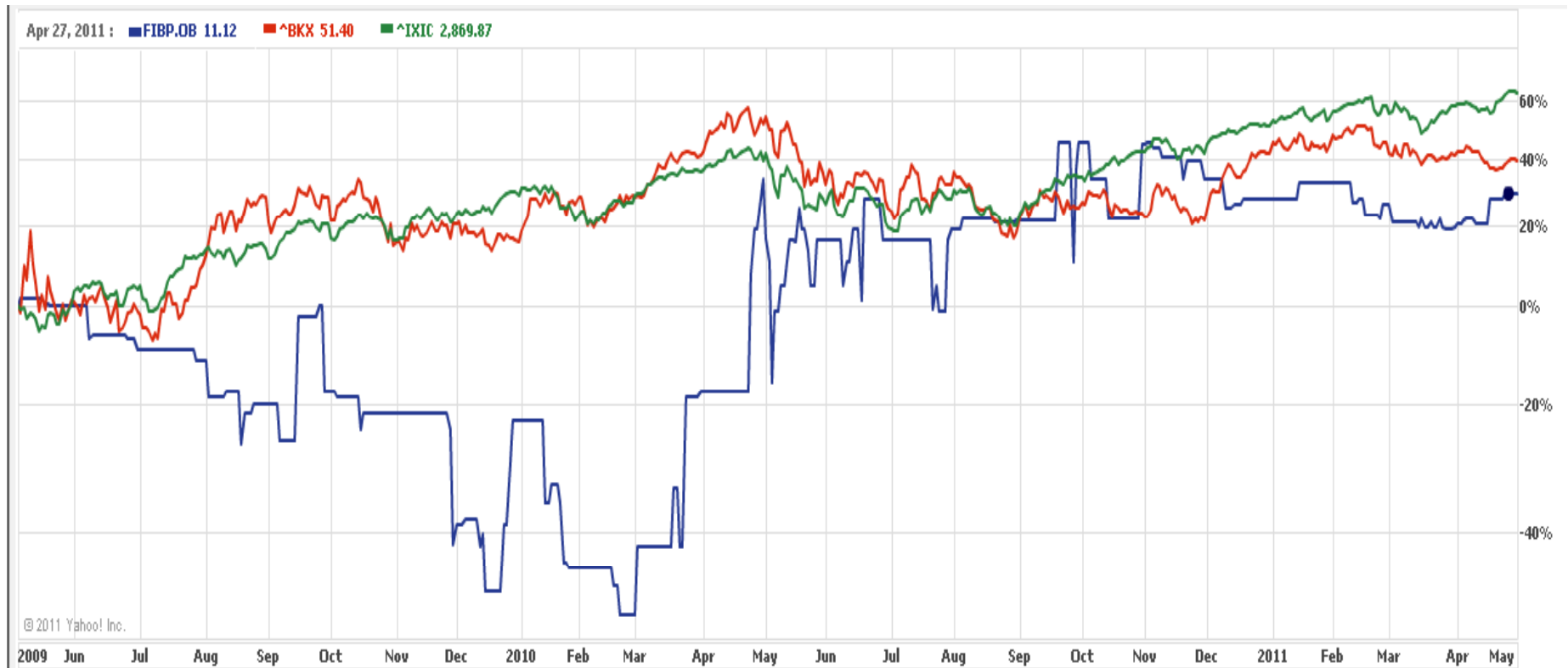
# Share Price and Trading Volume



Source: Yahoo! Finance



# Share Price Compared to Market



Source: Yahoo! Finance

# Enhancing Share Value: Management

- Realignment of Senior Management with the following promotions to Senior Vice President
  - Mike Lewis hired to launch CRE lending effort
  - Nicole Lorch given expanded responsibility with the establishment of a Retail Banking group
  - Kevin Quinn tasked with additional responsibilities overseeing Retail Lending operation
  - C. Charles Perfetti focusing on strategic initiatives

# Enhancing Share Value: Balance Sheet Growth

- Balance sheet growth initiated with lending efforts and enhanced consumer banking platform
  - Targeting \$552MM by year end 2011 and \$1 Billion by year end 2015
  - As of March 31, 2011, the Bank can grow to \$565MM while maintaining an 8% Tier 1 Capital ratio
  - In addition to increasing total assets, the Bank has room to reposition the balance sheet due to significant amounts of cash and investment securities on hand and available to fund loan originations as opportunities are identified



# Enhancing Share Value: New Revenue Channels

- Leverage existing strengths such as online mortgage origination platform for unrelated third parties
- Add new services, e.g. wealth management or other fee-based platform

# Enhancing Share Value: Potential Acquisitions

- Increased costs of compliance affecting smaller institutions and highlighting the benefits of economies of scale
- Focus on asset originations and either add-on or diversification opportunities with limited physical infrastructure

# Enhancing Shareholder Communication

- Please sign up for alerts to receive an email when First Internet Bancorp posts news:  
<http://www.firstinternetbancorp.com/news.html>
- First Internet Bancorp > News

# Our focus in 2011 and beyond: GROWTH

- Maintaining strong capital position
- Generating high quality assets
- Improving efficiencies
- Enhancing share value

Thank you for your continued  
support!