



2013 Annual Report



PRESIDENT'S MESSAGE

Fellow Stockholders:

More than five years after the beginning of the "Great Recession", we are finally beginning to see improvements in our southwestern Indiana economy. Residential home values appear to have stabilized, residential construction is picking up, and unemployment rates have slowly declined. However, many challenges still lie ahead including margin pressure from the ultra-low interest rate environment and intensified regulatory scrutiny.

Banks are still trying to cope with the regulatory nightmare created by the Dodd-Frank Financial Reporting and Consumer Protection Act. Of the 398 rulemaking requirements of Dodd-Frank only 160 (40.2%) have been finalized. It has clearly been a slow process as more than 60% of the Act's specific deadlines have been missed. To keep the bank in compliance with this growing regulatory burden, we have invested heavily in staff education and we will continue to do so, in addition to modifying procedures and operations, as more of these regulatory rulemaking requirements are finalized and published.

Ripples from the failure of a prominent local bank in mid-2011 continued to be seen in fiscal 2013 as more banks headquartered outside the area entered the Evansville market. Despite the increased competition, the bank's retail deposit base remained relatively flat at \$264.9 million although commercial checking accounts grew nearly 30%.

One of our goals for fiscal 2013 was to continue the reconfiguration of the asset side of our balance sheet to reduce the reliance on investment securities thus improving profitability. To achieve this goal the bank has strived to increase the number of quality commercial loan clients that it lends to in the southwestern Indiana region. The gross commercial loan portfolio at June 30, 2013 was \$123.0 million, increasing \$34.7 million, or 39.4%, during the year.

The gross mortgage loan portfolio, comprising one-to-four family first and second mortgage loans plus home equity lines of credit, grew 5.1% in fiscal 2013 from \$58.6 million to \$61.6 million. The mortgage portfolio growth occurred as the bank originated a record \$61.6 million in loans during the past year, predominately refinances of existing mortgages, compared to \$45 million in fiscal 2012. In addition, the bank delivered \$41.1 million, also a record, into the secondary market. Even though the loan note is sold to either Fannie Mae or the Federal Home Loan Bank of Indianapolis, First Federal continues to service the loan for the customer and receives income for that service. The sale of the mortgage loans was necessitated to protect the bank against unnecessary interest rate risk due to the low interest rate environment.

Despite the economic upheavals of the past five years, the credit quality of our loan portfolio remains stable. Nevertheless, the Company is committed to maintaining prudent loan loss reserves to combat unforeseen future loan portfolio problems. At June 30, 2013, the allowance for loan losses stood at \$2.5 million, an increase of \$290,000 over the course of the year.

All of this hard work by our dedicated employees resulted in fiscal 2013 earnings of \$1,605,000 or \$0.92 per fully diluted share compared to \$1,107,000 or \$0.63 per share in fiscal 2012. The improved earnings enabled the Company to again pay very competitive dividends totaling 62 cents per share during the year.

We are also committed to maintaining a strong capital base. At fiscal year end First Federal's core and risk-based capital ratios were 8.58% and 13.93%, respectively, compared to 8.51% and 14.51% at June 30, 2012. These capital ratios comfortably exceed the core capital requirement of 5% and the risk-based capital requirement of 10% which qualifies First Federal Savings Bank as well-capitalized by Federal regulators.

During the fiscal year, the bank completed the construction of a new branch office in Petersburg, Indiana, next to where the original branch was located. In the last two years, the Petersburg branch has grown from approximately \$10 million in deposits to \$34.5 million. The branch is also one of our top consumer loan offices producing over \$9 million in the last two years.

In order to aid the growth of the corporate headquarters staff and operations, the bank acquired the former Black Buggy Restaurant building across the street and converted the building into a 16,500 square foot Operations Center, initially moving the consumer lending function to that site.

Management, with the support of the board of directors, will continue to focus on ways to increase efficiencies and profitability during these uncertain economic times, while at the same time providing the services our individual and commercial customers need. I thank you for your investment in First Bancorp of Indiana, Inc.

A handwritten signature in black ink that reads "Mike".

Michael H. Head
President and CEO
First Bancorp of Indiana, Inc.

AT OR FOR THE YEAR ENDED

June 30, 2013 June 30, 2012 June 30, 2011

SELECTED BALANCE SHEET DATA
(\$ Thousands)

Total Assets	\$376,940	\$381,186	\$356,128
Investment securities.....	87,376	115,680	126,647
Loans receivable, net	213,994	182,381	150,019
Deposits.....	264,948	269,197	236,671
Borrowings.....	73,155	73,155	83,155
Stockholders' Equity	34,454	34,778	33,077

SELECTED INCOME STATEMENT DATA
(\$ Thousands)

Interest income.....	\$13,095	\$13,697	\$14,471
Interest expense.....	3,719	4,699	6,092
Net interest income	9,376	8,998	8,379
Provision for loan losses	380	345	550
Noninterest income	3,785	3,210	2,375
Noninterest expense.....	11,150	10,675	9,318
Income before income taxes	1,631	1,188	886
Provision for income taxes.....	26	81	(17)
Net Income.....	\$1,605	\$1,107	\$903

PERFORMANCE RATIOS

Return on average assets.....	0.42%	0.30%	0.26%
Return on average equity	4.52	3.25	2.76
Net interest margin.....	2.68	2.66	2.67
Average interest-earning assets to average interest-bearing liabilities.....	110.33	108.02	105.90
Earnings per share, fully-diluted.....	\$0.92	\$0.63	\$0.52

ASSET QUALITY RATIOS

Nonperforming loans to total loans.....	1.66%	1.58%	2.04%
Nonperforming assets to total assets.....	1.55	1.42	1.76
Allowance for loan losses to total loans	1.14	1.17	1.30
Allowance for loan losses to nonperforming loans.....	68.91	74.03	63.81

CAPTIAL RATIOS

Average equity to average assets	9.18%	9.17%	9.36%
Equity to total assets	9.14	9.12	9.29
Tangible and core capital (bank only).....	8.58	8.51	9.09
Risk-based capital (bank only).....	13.93	14.51	15.46

SHAREHOLDER DATA

Weighted average shares outstanding: (for the year ended)			
Basic.....	1,749,165	1,749,572	1,748,660
Diluted.....	1,749,165	1,749,572	1,748,660
Outstanding shares (issued less treasury shares)			
at June 30	1,749,165	1,749,165	1,749,742

BOARD OF DIRECTORS

James A. Will, Jr. Timothy A. Flesch	Chairman of the Board President and CEO, St. Mary's Health System
David E. Gunn, CPA Gregory L. Haag	President, Gunn Group, LLC President, Haag Heating & Air Conditioning, Inc.
Michael H. Head	President and CEO, First Federal Savings Bank
Larry F. Meeks Daniel L. Schenk	CEO, Gibco Motor Express, LLC Chancellor, Ivy Tech Community College
E. Harvey "Skip" Seaman III	President and CEO, Product Acceptance & Research

EXECUTIVE MANAGEMENT

OFFICERS OF FIRST BANCORP OF INDIANA, Inc.

Michael H. Head	President and CEO
Kirby W. King	Vice President
George J. Smith	Treasurer and CFO
Ruthanne Orth	Corporate Secretary

OFFICERS OF FIRST FEDERAL SAVINGS BANK

Michael H. Head	President and CEO
Kirby W. King	Executive Vice President and COO
George J. Smith	Executive Vice President and CFO
Kyle Dodd	Senior Vice President
Max D. Elliott	Senior Vice President
Rick Heldt	Senior Vice President and Controller
Dale Holt	Senior Vice President
Lisa R. Kisner	Senior Vice President
Monica L. Stinchfield	Senior Vice President
Richard S. Witte	Senior Vice President
Ruthanne Orth	Vice President and Corporate Secretary

GENERAL COUNSEL

Bamberger, Foreman,
Oswald & Hahn, LLP
20 NW 4th Street
Evansville, Indiana 47708

SECURITIES COUNSEL

Kilpatrick Townsend & Stockton LLP
Suite 900
607 14th Street, NW
Washington, DC 20005-2018

INDEPENDENT AUDITORS

Monroe Shine & Co., Inc.
222 E. Market St.
New Albany, Indiana 47150

TRANSFER AGENT

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016

AUDITED FINANCIAL INFORMATION

The audited financial statements will be available for viewing or printing at:
www.firstfedevansville.com

A copy may also be requested by writing to:
George J. Smith, Treasurer and Chief Financial Officer,
First Bancorp of Indiana, Inc., P.O. Box 1111, Evansville, IN 47706-1111

BANK LOCATIONS



Corporate Headquarters

5001 Davis Lant Drive
(812) 492-8104

Franklin Street Office

2200 W. Franklin St.
(812) 492-8102

North Park Office

4451 N. First Ave.
(812) 492-8105

Newburgh Office

Highway 66 in Bell Oaks
(812) 492-8106

Bellemeade Office

4601 Bellemeade Ave.
(812) 492-8107

University West Office

4615 University Dr.
(812) 492-8108

St. Philip Office

2950 St. Philip Road South
(812) 492-8109



Petersburg Office

501 Main Street
(812) 354-8713

Washington Office

200 E. VanTrees Street
(812) 254-2641