

First Bancorp of Indiana, Inc. Announces Financial Results



EVANSVILLE, Ind., April 29, 2022. First Bancorp of Indiana, Inc. (OTCPK:FBPI), the holding company (the "Company") for First Federal Savings Bank (the "Bank"), reported earnings of \$482,000 (\$0.28 per diluted common share) for the third fiscal quarter ended March 31, 2022, compared to \$1.2 million (\$0.70 per diluted common share) for the same quarter a year ago. Likewise, earnings for the first three quarters of Fiscal 2022 totaled \$1.96 million (\$1.13 per diluted common share), compared to \$2.86 million (\$1.64 per diluted common share) last fiscal year-to-date. Earnings for the nine-month period equates to an annualized return on average assets (ROA) of 0.55% and a return on average equity (ROE) of 6.29%. This compares to an annualized ROA of 0.80% and an annualized ROE of 9.58% for the corresponding timeframe last fiscal year.

Net interest income for the first nine months of the fiscal year was 2.7% higher than the previous corresponding period as lower yields on earning assets were more than offset by reduced cost of funds. Noninterest income was reduced for the same timeframe as lower gains on loan sales were partially offset by increased service charges on deposit accounts and higher debit card interchange fees. Income from fiscal 2021 was also elevated by the recognition of a \$667,000 gain on bank-owned life insurance. Total noninterest expense was 1.9% lower year over year as savings in compensation, occupancy costs, and repossession expenses outpaced increases in advertising and data processing costs between the comparative periods. The Bank's efficiency ratio for the first nine months of Fiscal 2022 increased to 79.3% from 73.7% last fiscal year.

Due to increased deposit and liquidity levels, the balance of investment securities grew by \$32.4 million during the nine-month period. This increase was reduced by the fair value adjustments that resulted from the rapid rise in market interest rates during the recent quarter.

When the COVID-19 pandemic hit, local businesses and non-profits turned to First Federal Savings Bank to secure their funds thru the SBA's Paycheck Protection Program ("PPP"). Over the life of the program, the bank helped clients navigate the PPP application process to obtain \$61.9 million of funding and, more recently, forgiveness. As of March 31, 2022, only twenty-five PPP loans totaling \$5.0 million remained outstanding. Due to the full guaranty of the SBA and the underwriting process the bank's employees have followed, no credit issues are expected with SBA PPP loans and, consequently, no allowance for loan losses has been established for these loans.

Excluding PPP loans, net loans increased \$12.0 million, or 3.8%, during the first nine months of the fiscal year. The \$329.7 million of net loans on March 31, 2022, included \$1.2 million of loans committed for sale to either Fannie Mae or the Federal Home Loan Bank.

Loan origination volume, though 42.1% lower than the totals posted last fiscal year, outpaced the production totals from two years ago by 35.2%. Despite the slowing refinance activity and a rising interest rate environment, single-family mortgage loan production totaled \$60.5 million for the nine-month period. Consumer lending originations, which included auto loans, personal loans, and home equity loans and lines of credit, added \$14.3 million. Commercial loan production, including \$7.0 million participated with other banks, was \$47.3 million for the period.

Management has recorded \$50,000 of provisions for loan losses in the first nine months of the fiscal year, boosting the allowance for loan losses to \$3.5 million. Although management believes that the allowance is adequate, the COVID-19 pandemic and rising inflation may yet have an adverse effect on the credit quality of our loan portfolio. Management remains in close contact with our most vulnerable borrowers and will make additional provisions to the allowance, as necessary.

Deposit accounts totaled \$342.9 million on March 31, 2022. Seasonal variations on a large deposit relationship, coupled with the repayment of wholesale funds, account for much of the variance since the beginning of the fiscal year. At an annualized 0.29%, the cost of deposits for the nine-month period was 38.6% below the same period last year. Local deposit rates declined over the year, and existing wholesale funds were repaid or replaced at lower rates.

Similarly, the Company's total cost of funds declined to an annualized 0.56% for the nine months ended March 31, 2022, down from 0.81% for the like period a year ago, thanks to the maturity of \$30.0 million of higher-costing FHLB advances.

In January 2022, the Company completed a \$12.0 million subordinated debt offering. The offering was oversubscribed, and the proceeds will be used for general corporate purposes and to support future growth.

Stockholders' equity totaled \$36.8 million on March 31, 2022. The reduction was attributed to \$4.7 million of fair value adjustments on the available for sale securities portfolio given the rapid rise in market interest rates. Notably, this adjustment is excluded from regulatory capital calculations, and gains or losses are only realized if a security is sold.

Based on the 1,724,381 of outstanding common shares, the book value per share of FBPI stock was \$21.35 as of March 31, 2022.

At March 31, 2022, First Federal Savings Bank's Community Bank Leverage Ratio (CBLR) improved to 10.37%, thanks in part to a \$7.5 million capital contribution by the Company this quarter. The increased capital will be used to foster growth. The Bank comfortably exceeds the applicable regulatory standards to be considered "well-capitalized".

This news release may contain forward-looking statements within the meaning of the federal securities laws. Statements in this release that are not strictly historical are forward-looking and are based upon current expectations that may differ materially from actual results. These forward-looking statements, identified by words such as "will," "expected," "believe," and "prospects," involve risks and uncertainties that could cause actual results to differ materially from those anticipated by the statements made herein. These risks and uncertainties involve general economic trends and changes in interest rates, increased competition, changes in consumer demand for financial services, the possibility of unforeseen events affecting the industry generally, the uncertainties associated with newly developed or acquired operations, market disruptions and the potential effects of the COVID-19 pandemic on the local and national economic environment, on our customers and on our operations as well as any changes to federal, state and local government laws, regulations and orders in connection with the pandemic. The Company undertakes no obligation to release revisions to these forward-looking statements publicly to reflect events or circumstances after the date hereof or to reflect the occurrence of unforeseen events, except as required to be reported by applicable law.

First Bancorp of Indiana, Inc. Consolidated Financial Highlights (in thousands)

Selected Balance Sheet Data:

	3/31/2022 (unaudited)	6/30/2021
Total assets	479,601	480,872
Investment securities	82,742	50,327
Loans receivable, net	329,704	340,177
Deposit accounts	342,910	367,496
Borrowings	86,752	65,155
Stockholders' equity	36,808	41,548

Operating Results:

	Three months ended March 31, 2022		Nine months ended March 31, 2021	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income	3,933	4,085	11,938	12,492
Interest expense	623	722	1,779	2,598
Net interest income	3,310	3,363	10,159	9,894
Provision for loan losses	0	400	50	700
Net interest income after provision	3,310	2,963	10,109	9,194
Noninterest income	901	2,081	3,080	5,234
Noninterest expense	3,668	3,724	10,876	11,083
Income before income taxes and cumulative effect of a change in accounting principle	543	1,320	2,313	3,345
Income taxes	61	109	356	490
Net income	482	1,211	1,957	2,855