First Bancorp of Indiana, Inc. Announces Financial Results

EVANSVILLE, Ind., August 3, 2022. First Bancorp of Indiana, Inc. (OTCPK:FBPI), the holding company (the "Company") for First Federal Savings Bank (the "Bank"), reported earnings of $479,000 ($0.28 per diluted common share) for the fourth fiscal quarter ended June 30, 2022, compared to $932,000 ($0.54 per diluted common share) for the same quarter a year ago. Likewise, earnings for Fiscal Year 2022 totaled $2.44 million ($1.40 per diluted common share), compared to $3.79 million ($2.18 per diluted common share) last fiscal year. Earnings for the fiscal year equate to an annualized return on average assets (ROA) of 0.51% and a return on average equity (ROE) of 6.35%. This compares to an annualized ROA of 0.80% and an annualized ROE of 9.39% last year.

"We are pleased with the strides made in fiscal 2022," stated Michael H Head, President and CEO. "Funding sources expanded, and that liquidity was utilized to underwrite loan originations and securities purchases to grow interest income. Simultaneously, repurchases of Company stock enhanced earnings per share for our shareholders."

Net interest income for the fiscal year was 1.4% 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. Total noninterest expense was 0.5% higher year over year as increases in compensation, advertising, and data processing costs outpaced savings in deposit insurance premiums, occupancy costs, and repossession expenses between the comparative periods.

During the year, a leveraging strategy was approved by the board to increase earnings. The elevated deposit and liquidity levels were utilized to increase investment securities holdings. Proceeds from a subordinated debt offering and wholesale deposits were acquired to fund the growth. The securities portfolio, primarily composed of investment-grade municipal bonds or obligations of US government agencies, had grown $61.7 million by fiscal year end.

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 June 30, 2022, only nine PPP loans totaling $502,000 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, gross loans outstanding increased $38.6 million, or 12.3%, during the fiscal year. The $347.4 million of net loans on June 30, 2022, included $282,000 of loans committed for sale to either Fannie Mae or the Federal Home Loan Bank.

Loan origination volume declined 35.8% year over year and was primarily attributed to a reduction in single-family mortgage lending and the termination of the PPP loan program. Commercial loan production, including $12.5 million participated with other banks, rose to $69.6 million for the period. Excluding PPP loans, the annual commercial origination volume was the highest on record for the Bank. Despite the slowing refinance activity and a rising interest rate environment, single-family mortgage loan production totaled $73.3 million for the year - second only to fiscal 2021 totals. Consumer lending originations, which included auto loans, personal loans, and home equity loans and lines of credit, added $20.2 million, a 7.1% increase over the prior year production.

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

	6/30/2022	6/30/2021
Selected Balance Sheet Data:	*(unaudited)*	
Total assets	518,414	480,872
Investment securities	112,054	50,327
Loans receivable, net	347,389	340,177
Deposit accounts	389,675	367,496
Borrowings	90,769	65,155
Stockholders' equity	32,588	41,548

	Three months ended June 30,		Year ended June 30,	
	2022	2021	2022	2021
Operating Results:	*(unaudited)*		*(unaudited)*	
Interest income	4,286	4,231	16,224	16,723
Interest expense	754	623	2,533	3,221
Net interest income	3,532	3,608	13,691	13,502
Provision for loan losses	0	200	50	900
Net interest income after provision	3,532	3,408	13,641	12,602
Noninterest income	873	1,312	3,953	6,543
Noninterest expense	3,922	3,649	14,798	14,729
Income before income taxes and cumulative effect of a change in accounting principle	483	1,071	2,796	4,416
Income taxes	4	139	360	630
Net income	479	932	2,436	3,786

Management has recorded $50,000 of provisions for loan losses during the fiscal year, boosting the allowance for loan losses to $3.5 million, or 1.04% of at-risk loans. Simultaneously, credit quality improved, as the ratio of nonperforming loans 90 days or more delinquent to total loans declined to 0.13%, from 0.21% a year ago. Although management believes that the allowance is adequate, the COVID-19 pandemic, removal of government stimulus, and rising inflation may 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 grew to $389.7 million on June 30, 2022, thanks to rising local deposit rates and wholesale deposits acquired to fund the leveraging strategy. At an annualized 0.31%, the cost of deposits for the twelve-month period was 30.6% below the same period last year. Similarly, the Company's total cost of funds declined to an annualized 0.59% for the year ended June 30, 2022, down from 0.75% for the like period a year ago, thanks to the maturity of higher-costing FHLB advances that were replaced at lower interest rates.

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 current and future growth.

Stockholders' equity totaled $32.6 million on June 30, 2022. The reduction was attributed to the $8.5 million fair value adjustment to 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.

A total of 46,667 shares were repurchased by the Company throughout the fiscal year. Based on the 1,694,362 of outstanding common shares on June 30, 2022, the book value per share of FBPI stock was $19.23.

At June 30, 2022, First Federal Savings Bank's Community Bank Leverage Ratio (CBLR) was 9.91%, thanks in part to a $7.5 million capital contribution by the Company this year. The increased capital will be used to foster growth. The Bank comfortably exceeds the applicable regulatory standards to be considered "well-capitalized".

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