

First Bancorp of Indiana, Inc. Announces Financial Results



EVANSVILLE, Ind., November 3, 2020. First Bancorp of Indiana, Inc. (OTCBB:FBPI), the holding company for First Federal Savings Bank, reported earnings of \$695,000 (\$0.40 per diluted common share) for the first fiscal quarter ended September 30, 2020, compared to \$401,000 (\$0.23 per diluted common share) for the same quarter a year ago. The current quarterly earnings equate to an annualized return on average assets (ROA) of 0.58% and a return on average equity (ROE) of 7.09%. This compares to an annualized ROA of 0.36% and an annualized ROE of 4.19% for the quarter ended September 30, 2019.

Net interest income for quarter ended September 30, 2020, was only marginally changed from the same quarter last fiscal year as significantly lower loan yields were offset by reduced cost of funds. Noninterest income was significantly higher than the year-ago quarter thanks to earnings from the sale of nearly \$30 million of single-family residential mortgage loans. Compensation and software expenses were largely responsible for the 5.0% increase in noninterest expenses between the comparative quarters. At 75.4%, the bank's efficiency ratio for the current quarter compared favorably to last year's 83.6%.

First Federal Savings Bank has been a source of strength to small business clients and non-profits in Southwest Indiana during 2020. The Bank participated in the SBA's Paycheck Protection Program ("PPP") and helped 406 clients receive roughly \$41 million in PPP funding that helped preserve an estimated 5,462 jobs in Southwest Indiana. PPP loans carry a two to five year term at a 1% annual interest rate until the loan is either forgiven or repaid. The forgiveness window opened during the third quarter of 2020. The commercial banking team is now helping clients maneuver through the PPP forgiveness applications. We anticipate that process being completed for most borrowers over the next two quarters. Due to the full guaranty of the SBA and the underwriting process the Bank's employees followed, no credit issues are expected with SBA PPP loans. As a result, the Bank did not establish an allowance for loan losses for PPP loans.

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

| | <u>9/30/2020</u> | <u>6/30/2020</u> |
|-----------------------------------------------------------------------------------------|------------------------------------------------------|--------------------|
| | <i>(unaudited)</i> | |
| Selected Balance Sheet Data: | | |
| Total assets | 474,410 | 473,406 |
| Investment securities | 54,755 | 57,015 |
| Loans receivable, net | 368,344 | 348,281 |
| Deposit accounts | 333,134 | 334,205 |
| Borrowings | 95,155 | 95,155 |
| Stockholders' equity | 39,431 | 38,979 |
| | | |
| | Three months ended September 30, 2020 | 2019 |
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Selected Operating Data: | | |
| Interest income | 4,137 | 4,384 |
| Interest expense | 961 | 1,199 |
| Net interest income | 3,176 | 3,185 |
| Provision for loan losses | 150 | 60 |
| Net interest income after provision | 3,026 | 3,125 |
| Noninterest income | 1,373 | 694 |
| Noninterest expense | 3,546 | 3,377 |
| Income before income taxes and cumulative effect of a change in accounting principle | 853 | 442 |
| Income taxes | 158 | 41 |
| Net income | 695 | 401 |

First Federal Savings Bank had continued strong single-family mortgage loan production during the quarter ended September 30, 2020, with originations totaling \$49.2 million after then-record production of \$32.7 million the prior quarter. These efforts help our retail clients through lower monthly payments and lower interest over the life of their mortgage loans. We anticipate mortgage production to remain at elevated levels at least over the next six months, if not longer.

First Federal Savings Bank also had strong retail consumer lending which included auto loans, personal loans, and home equity loans and lines of credit. The Bank originated \$5.7 million of retail consumer loans in the first quarter of fiscal 2021 alone after closing a record \$10.6 million in fiscal 2020.

First Federal Savings Bank has also worked with our borrowers on loan forbearance requests under the CARES Act. By June 30, 2020, the Bank had executed roughly \$40 million, or 11% of total loans, of initial three-month forbearance requests. Borrowers seeking a second three-month forbearance totaled only \$8 million or 2% of total loans. Management anticipates a high majority of these clients moving back to amortizing status during the quarter ended December 31, 2020.

Excluding PPP loans, net loans increased \$19.9 million, or 6.4%, in the most recent quarter and \$25.1 million, or 8.3%, over the past 12 months. The \$368.3 million of net loans on September 30, 2020, included \$10.8 million of loans committed for sale to either Fannie Mae or the Federal Home Loan Bank.

Management recorded a \$150,000 provision for loan losses during the most recent quarter thereby boosting the allowance for loan losses to \$2.6 million. Although management believes that the allowance is adequate, the COVID-19 pandemic may have an adverse effect on the credit quality of our loan portfolio as disruption to our customers could result in increased loan delinquencies and defaults. Further, the Company's COVID-19 commercial and retail loan deferral programs could delay the identification and resolution of problem credits. However, management remains in close contact with our most vulnerable borrowers and will make additional provisions to the allowance, as necessary.

Total deposits, which decreased marginally during the quarter to \$333.1 million at September 30, 2020, were \$19.4 million, or 6.2%, higher than a year earlier. At an annualized 0.54%, the cost of deposits for the most recent quarter was 32.5% below the same quarter last year. Similarly, total cost of funds between the comparable periods was reduced 25.2% to an annualized 0.89%. Management expects additional reduction in the cost of funds in the second half of fiscal 2021 during which time \$30 million of borrowed funds will mature or reprice at significantly lower rates.

Stockholders' equity increased \$452,000 to \$39.4 million at September 30, 2020, compared to \$39.0 million at June 30, 2020. Based on the 1,735,088 of outstanding common shares, the book value per share of FBPI stock was \$22.73 as of September 30, 2020.

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," "anticipate," 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.

CONTACT: Michael H. Head, President and CEO, First Bancorp of Indiana, 812-492-8100.

www.firstfedevansville.com