First Bancorp of Indiana, Inc. Announces Financial Results

EVANSVILLE, Ind., February 5, 2024. First Bancorp of Indiana, Inc. (OTCPK:FBPI), the holding company (the "Company") for First Federal Savings Bank (the "Bank"), reported earnings of $346,000 ($0.21 per diluted common share) for the second fiscal quarter ended December 31, 2023, compared to $917,000 ($0.54 per diluted common share) for the same quarter a year ago. Likewise, earnings for the first half of Fiscal 2024 totaled $1.09 million ($0.65 per diluted common share), compared to $1.77 million ($1.04 per diluted common share) last fiscal year-to-date. Earnings for the six-month period equate to an annualized return on average assets (ROA) of 0.34% and a return on average equity (ROE) of 7.52%. This compares to an annualized ROA of 0.64% and an annualized ROE of 11.51% for the corresponding period last fiscal year.

Net interest income contracted from the prior year. Improved yields on earning assets, provided by higher interest rates on newly originated commercial adjustable-rate loans and investments, could not keep up with higher funding costs as deposit rates continued their upward trajectory. The Company's Net Interest Margin (NIM), as a percentage of average interest-earning assets, was 2.56% for the quarter ended December 31, 2023, and 2.60% for the first half of the fiscal year. Noninterest income improved for both periods, led by higher gains on loan sales. Total non-interest expenses, higher for both the quarter and the six-month periods, were the result of increased personnel costs, occupancy expenses, and FDIC insurance premiums due to the growth in the Bank's footprint and asset size.

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

	12/31/2023	6/30/2023
Selected Balance Sheet Data:	*(unaudited)*	
Total assets	650,756	631,341
Investment securities	113,041	111,596
Loans receivable, net	474,411	453,402
Deposit accounts	487,093	462,203
Borrowings	121,865	129,832
Stockholders' equity	33,399	32,012

	Three months ended December 31,		Six months ended December 31,	
	2023	2022	2023	2022
Operating Results:	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Interest income	7,877	5,889	15,479	11,041
Interest expense	4,100	1,559	7,850	2,662
Net interest income	3,777	4,330	7,629	8,379
Provision for credit losses	0	45	-237	45
Net interest income after provision	3,777	4,285	7,866	8,334
Noninterest income	852	796	1,882	1,679
Noninterest expense	4,430	4,093	8,797	8,098
Income before income taxes and cumulative effect of a change in accounting principle	199	988	951	1,915
Income taxes	-147	71	-134	149
Net income	346	917	1,085	1,766

"The banking system has faced significant headwinds in 2023," stated Michael H. Head, President, and CEO, "Regional bank failures, inflationary pressures, and margin compression presented a challenging environment. As a community bank, we continue to focus on our customers and practice prudent risk management as interest rates stabilize."

In Fiscal 2022, the board of directors approved a leveraging strategy to increase earnings. The liquidity at the time increased investment securities holdings and funded loan demand. Proceeds from the Company's $12 million subordinated debt offering and wholesale deposits acquired by the Bank funded additional growth. The securities portfolio, primarily composed of investment-grade municipal bonds or obligations of US government agencies, totaled $113.0 million on December 31, 2023.

Despite the rising interest rate environment, net loans outstanding have increased $21.0 million, or 4.6%, during the first half of the fiscal year. Commercial loan production, including $2.0 million participated with other banks, totaled $29.2 million for the six-month period. Single-family mortgage loan production added $40.6 million during the same period. A lack of housing supply in the local market has resulted in increased housing construction activity. Consumer lending originations, which included auto loans, personal loans, and home equity loans and lines of credit, totaled $8.1 million. The $474.4 million of net loans on December 31, 2023, included $2.2 million of loans committed for sale to either Fannie Mae or the Federal Home Loan Bank.

Effective July 1, 2023, the Bank adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), commonly referred to as the current expected credit loss (CECL) methodology, to determine the required Allowance for Credit Losses (ACL) on the Bank's loans, investments, and unfunded commitments. The adoption increased the allowance by $1.9 million and, on a tax-effected basis, reduced retained earnings by $1.4 million.

No provision for loan losses was set aside in the current quarter. Charged off loans totaled less than $3,000 for the quarter ended December 31, 2023. Moreover, a reverse provision was recorded in the September quarter due to a $286,000 recovery for a loan previously charged off.

The ratio of nonperforming loans 90 days or more delinquent to total loans was 0.89% on December 31, 2023, compared to 0.04% a year ago. Overall, the Allowance for Credit Losses, including reserves for investment securities and unfunded commitments, stood at $5.65 million at quarter end. The portion of the allowance attributed to the loan portfolio represented 1.17% of at-risk loans. Although management believes that the allowance is adequate, a slowing economy and persistent 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 regarding the allowance, as necessary.

Deposit accounts, totaling $487.1 million on December 31, 2023, have increased 5.4% since the beginning of the fiscal year. Competition for funding, both in local markets and at the wholesale level, has driven deposit rates upward and pushed the Bank's cost of deposits to an annualized 2.63% for the quarter. Similarly, the Company's total cost of funds, including FHLB advances and debt of the holding company, increased to an annualized 2.74% for the same period.

As a part of the Bank's Liquidity Management Plan, contingency funding sources are available and liquidity stress tests determine adequacy. First Federal Savings Bank maintains lines of credit at multiple institutions and additional borrowing capacity at FHLB. The Bank also has access to, but has not utilized, the Federal Reserve's discount window and the Bank Term Funding Program.

Stockholders' equity totaled $33.4 million on December 31, 2023, which includes an $8.3 million fair value reduction to the available for sale securities portfolio given the rapid rise in market interest rates. This securities portfolio adjustment is not a part of the regulatory capital calculations. Gains or losses in the securities portfolio are recognized when a security is sold. Based on the 1,680,624 outstanding common shares on December 31, 2023, the book value per share of FBPI stock was $19.87.

At 8.11%, First Federal's tier one capital ratio exceeded the five percent regulatory standard for "well-capitalized" financial institutions. The bank's other capital measurements also continue to comfortably exceed "well-capitalized" standards.

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.

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