First Bancorp of Indiana, Inc. Announces Financial Results

EVANSVILLE, Ind., August 15, 2024. First Bancorp of Indiana, Inc. (OTCPK:FBPI), the holding company (the "Company") for First Federal Savings Bank (the "Bank"), reported earnings of $276,000 ($0.16 per diluted common share) for the fourth fiscal quarter ended June 30, 2024, compared to $462,000 ($0.28 per diluted common share) for the same quarter a year ago. Likewise, earnings for Fiscal 2024 totaled $1.67 million ($0.99 per diluted common share), compared to $2.85 million ($1.70 per diluted common share) last fiscal year. Annual earnings equate to a return on average assets (ROA) of 0.26% and a return on average equity (ROE) of 5.49%. This compares to an annualized ROA of 0.50% and an annualized ROE of 9.07% for the last fiscal year.

Net interest income contracted from the prior year. Improved yields on earning assets, provided by higher interest rates on newly originated loans and adjustable-rate loans that have repriced upward, were outpaced by higher funding costs. The Company's Net Interest Margin (NIM), as a percentage of average interest-earning assets, was 2.62% for the quarter ended June 30, 2024, and 2.57% for the fiscal year. Gains on loan sales improved for both periods as loan origination volume remained strong. The sale of $10.4 million of investment securities resulted in a loss of $103,400 in the fourth fiscal quarter. The year over year rise in total non-interest expenses was largely the result of increased personnel costs, occupancy expenses, and FDIC insurance premiums due to growth in the Bank's geographic footprint and asset size.

In Fiscal 2022, the board of directors approved a leveraging strategy to increase earnings. The liquidity at the time was used to increase investment securities holdings and fund 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, declined to $95.2 million on June 30, 2024 following the sale of $10.4 million of securities in April.

Despite the rising interest rate environment, net loans outstanding have increased $21.9 million, or 4.83%, during the fiscal year. Commercial loan production, including $2.0 million participated with other banks, totaled $63.3 million for the twelve-month period. Single-family mortgage loan production added $72.9 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 $14.5 million. The $475.3 million of net loans on June 30, 2024, included $1.1 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.

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

Selected Balance Sheet Data:	**6/30/2024**	**6/30/2023**
	(unaudited)	
Total assets	635,450	631,341
Investment securities	95,221	111,596
Loans receivable, net	475,323	453,402
Deposit accounts	465,606	462,203
Borrowings	129,894	129,832
Stockholders' equity	31,669	32,012

	Three months ended June 30,		**Year ended June 30,**	
Operating Results:	**2024**	**2023**	**2024**	**2023**
	(unaudited)		*(unaudited)*	
Interest income	7,986	6,919	31,276	24,184
Interest expense	4,160	2,942	16,196	7,720
Net interest income	3,826	3,977	15,080	16,464
Provision for credit losses	0	75	-236	195
Net interest income after provision	3,826	3,902	15,316	16,269
Noninterest income	697	831	3,445	3,269
Noninterest expense	4,367	4,339	17,482	16,625
Income before income taxes and cumulative effect of a change in accounting principle	156	394	1,279	2,913
Income taxes	-120	-68	-388	62
Net income	276	462	1,667	2,851

No provision for loan losses was recorded in the three months ended June 30, 2024, as loan chargeoffs totaled less than $1,000 for the quarter. 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 0.38% on June 30, 2024, compared to 0.53% 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 1.12% 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 the loan portfolio. Management remains in close contact with our most vulnerable borrowers and will make additional provisions to the allowance, as necessary.

Deposit accounts, totaling $465.6 million on June 30, 2024, have increased by $3.4 million 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 2.70% for the quarter. Similarly, the Company's total cost of funds, including FHLB advances and debt of the holding company, increased to an annualized 2.84% 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 with the Federal Reserve Bank's discount window and the FHLB.

Stockholders' equity totaled $31.7 million on June 30, 2024, which includes a $10.1 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 June 30, 2024, the book value per share of FBPI stock was $18.84.

At June 30, 2024, the Bank's Tier 1, Tier 1 Risk Based and Total Risk Based Capital ratios were 8.24%, 11.44% and 12.66%, respectively.

This press release may contain statements that are forward-looking, as that term is defined by the Private Securities Litigation Act of 1995 or the Securities and Exchange Commission in its rules, regulations and releases. The Company intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors including, but not limited to: general economic conditions; prices for real estate in the Company's market areas; the interest rate environment and the impact of the interest rate environment on our business, financial condition and results of operations; our ability to successfully execute our strategy to conserve capital, enhance liquidity and earnings, and reduce higher funding costs; the Bank's ability to pay dividends to the Company to fund the payment of cash dividends on the Company's common stock, and the ability of the Bank to receive any required regulatory approval or non-objection in order to do so; changes in the demand for loans; deposits and other financial services that we provide; the possibility that future credit losses may be higher than currently expected; competitive pressures among financial services companies; the ability to attract, develop and retain qualified employees; our ability to maintain the security of our data processing and information technology systems; the outcome of pending or threatened litigation, or of matters before regulatory agencies; changes in law, governmental policies and regulations; and rapidly changing technology affecting financial services. Accordingly, actual results may differ from those expressed in the forward-looking statements, and the making of such statements should not be regarded as a representation by the Company or any other person that results expressed therein will be achieved. 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.firstfedsavings.bank