

Company Press Release

First Bancorp of Indiana, Inc. Announces Financial Results

EVANSVILLE, Ind., October 28, 2022. First Bancorp of Indiana, Inc. (OTCPK:FBPI), the holding company (the “Company”) for First Federal Savings Bank (the “Bank”), reported earnings of \$849,000 (\$0.50 per diluted common share) for the first fiscal quarter ended September 30, 2022, compared to \$806,000 (\$0.46 per diluted common share) for the same timeframe a year ago. Earnings for the quarter equate to an annualized return on average assets (ROA) of 0.63% and a return on average equity (ROE) of 10.23%. This compares to an annualized ROA of 0.68% and an annualized ROE of 7.73% last year.

“Despite the economic uncertainties and fears of inflation, we are excited about our prospects in the new fiscal year,” stated Michael H Head, President and CEO. “We are encouraged by the improved net interest income and strong loan demand this quarter. Our Next Generation checking and savings products were launched in July, and preparations are underway for the opening of our new Henderson, Kentucky location in early 2023.”

Net interest income for the first fiscal quarter was 18.5% higher than the previous corresponding period. Improved yields on earning assets, thanks to the higher interest rates on new and variable rate loans and investments, were magnified by growth in the balance sheet. Funding costs also increased, but to a lesser degree. Noninterest income was largely reduced for the same timeframe by lower gains on loan sales. Total noninterest expense was 11.0% higher year over year – primarily attributed to increased personnel costs and occupancy expenses between the comparative periods.

During the prior fiscal year, the board of directors approved a leveraging strategy to increase earnings. The elevated deposit and liquidity levels at that time were utilized to increase investment securities holdings and meet 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 \$109.0 million at September 30, 2022.

Net loans outstanding increased \$24.1 million, or 6.9%, during the first fiscal quarter. The \$371.5 million of net loans on September 30, 2022, included \$1.2 million of loans committed for sale to either Fannie Mae or the Federal Home Loan Bank.

Loan origination volume for the quarter ended September 30, 2022, increased 42.3% over the same quarter last year. Commercial loan production, including \$2.0 million participated with other banks, rose to \$19.0 million for the period. Despite a rising interest rate environment, single-family mortgage loan production totaled \$26.1 million for the quarter, thanks in part to housing construction activity. Consumer lending originations, which included auto loans, personal loans, and home equity loans and lines of credit, added \$9.3 million.

The credit quality of the loan portfolio remained resilient, as the ratio of nonperforming loans 90 days or more delinquent to total loans was 0.13% - unchanged from the prior quarter and reduced from 0.23% a year ago. Due to net recoveries on previously charged-off loans, no provisions for loan losses were recorded during the current quarter. The allowance for loan losses, at \$3.5 million, represented 0.99% of at-risk loans. Although management believes that the allowance is adequate, a slowing economy, 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, which were used to fund the leveraging strategy, grew to \$423.1 million on September 30, 2022. Competition for funding, both in local markets and at the wholesale level, have driven deposit rates higher this quarter and pushed the Bank's cost of deposits to an annualized 0.59%. Similarly, the Company's total cost of funds, including higher-costing FHLB advances and debt of the holding company, increased to an annualized 0.90% for the quarter ended September 30, 2022.

Stockholders' equity totaled \$27.2 million on September 30, 2022. The reduction was attributed to the \$14.5 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. Based on the 1,696,407 of outstanding common shares on September 30, 2022, the book value per share of FBPI stock was \$16.05. Shareholders were rewarded with a 3.23% increase in the quarterly dividend rate, beginning with the September dividend.

At September 30, 2022, First Federal Savings Bank's Community Bank Leverage Ratio (CBLR) was 9.37%, thanks in part to a \$7.5 million capital contribution by the Company last fiscal year. The increased capital has and will continue to be utilized to foster growth in the loan and investment securities portfolios. 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.

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

	<u>9/30/2022</u>	<u>6/30/2022</u>
<u>Selected Balance Sheet Data:</u>	<i>(unaudited)</i>	
Total assets	548,960	518,480
Investment securities	108,975	112,054
Loans receivable, net	371,471	347,389
Deposit accounts	423,073	389,675
Borrowings	91,786	90,769
Stockholders' equity	27,225	32,588
	Three months	
	ended September 30,	
	2022	2021
<u>Selected Operating Data:</u>	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income	5,153	4,011
Interest expense	1,103	595
Net interest income	4,050	3,416
Provision for loan losses	0	50
Net interest income after provision	4,050	3,366
Noninterest income	883	1,221
Noninterest expense	4,006	3,609
Income before income taxes and cumulative effect of a change in accounting principle	927	978
Income taxes	78	172
Net income	849	806