First Bancorp of Indiana, Inc. Announces Financial Results

EVANSVILLE, Ind., January 31, 2023. First Bancorp of Indiana, Inc. (OTCPK:FBPI), the holding company (the "Company") for First Federal Savings Bank (the "Bank"), reported earnings of $917,000 ($0.54 per diluted common share) for the second fiscal quarter ended December 31, 2022, compared to $669,000 ($0.38 per diluted common share) for the same quarter a year ago. Likewise, earnings for the first half of Fiscal 2023 totaled $1.77 million ($1.04 per diluted common share), compared to $1.48 million ($0.85 per diluted common share) last fiscal year-to-date. Earnings for the six-month period equates to an annualized return on average assets (ROA) of 0.64% and a return on average equity (ROE) of 11.51%. This compares to an annualized ROA of 0.62% and an annualized ROE of 7.07% for the corresponding timeframe last fiscal year.

Net interest income for the first half of the fiscal year was 22.4% higher than the previous corresponding period. Improved yields on earning assets, thanks to the higher interest rates on newly originated and variable rate loans and investments, were compounded by growth in the balance sheet. Funding costs have also increased, but to a lesser magnitude. The Company's Net Interest Margin, as a percentage of average interest-earning assets, improved to 3.30% as of December 31, 2022. Noninterest income was largely reduced for the same timeframe by lower gains on loan sales. Total noninterest expense was 12.4% higher year over year – primarily attributed to increased personnel costs and occupancy expenses between the comparative periods. The bank's efficiency ratio for the first six months of Fiscal 2023 improved to 74.3% from 77.6% last fiscal year.

"We implemented a clear strategy for growth and continue to execute that strategy, as demonstrated by the bank's financial performance," stated Michael H. Head, President and CEO. "Loan and deposit growth has allowed us to serve more households and businesses in the Tri-State area. We look forward to reaching additional customers now that we have expanded into the Henderson, Kentucky, market."

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

	12/31/2022	6/30/2022
Selected Balance Sheet Data:	*(unaudited)*	
Total assets	574,310	518,480
Investment securities	111,728	112,054
Loans receivable, net	400,290	347,389
Deposit accounts	445,386	389,675
Borrowings	91,803	90,769
Stockholders' equity	30,952	32,588

	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Operating Results:	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Interest income	5,889	3,994	11,041	8,005
Interest expense	1,559	562	2,662	1,157
Net interest income	4,330	3,432	8,379	6,848
Provision for loan losses	45	0	45	50
Net interest income after provision	4,285	3,432	8,334	6,798
Noninterest income	796	959	1,679	2,179
Noninterest expense	4,093	3,598	8,098	7,207
Income before income taxes and cumulative effect of a change in accounting principle	988	793	1,915	1,770
Income taxes	71	124	149	295
Net income	917	669	1,766	1,475

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 $111.7 million at December 31, 2022.

Net loans outstanding increased $52.9 million, or 15.2%, during the first half of the fiscal year. The $400.3 million of net loans on December 31, 2022, included $163,000 of loans committed for sale to either Fannie Mae or the Federal Home Loan Bank.

Loan origination volume for the six months ended December 31, 2022, increased 27.5% over the like period last fiscal year. Commercial loan production, including $7.5 million participated with other banks, rose to $49.7 million for the period. Despite a rising interest rate environment, single-family mortgage loan production totaled $42.5 million for same timeframe, attributed in part to housing construction activity. Consumer lending originations, which included auto loans, personal loans, and home equity loans and lines of credit, added $13.5 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 0.04% - reduced from 0.28% a year ago. Due to growth in the loan portfolio, $45,000 of provisions for loan losses were recorded during the fiscal year. The allowance for loan losses, at $3.5 million, represented 0.93% of at-risk loans. Although management believes that the allowance is adequate, a slowing economy, removal of government stimulus, and 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 $445.4 million on December 31, 2022. Competition for funding, both in local markets and at the wholesale level, have driven deposit rates higher and pushed the Bank's cost of deposits to an annualized 0.76%. Similarly, the Company's total cost of funds, including higher-costing FHLB advances and debt of the holding company, increased to an annualized 1.05% for the six months ended December 31, 2022.

Stockholders' equity totaled $31.0 million on December 31, 2022. The reduction was attributed to the $11.2 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 1,685,416 of outstanding common shares on December 31, 2022, the book value per share of FBPI stock was $18.36. Shareholders were rewarded with a 3.23% increase in the quarterly dividend rate, beginning with the September dividend, and 15,000 shares of Company stock were repurchased in the first half of the fiscal year.

At December 31, 2022, First Federal Savings Bank's Community Bank Leverage Ratio (CBLR) was 9.02%, thanks in part to a $7.5 million capital contribution by the Company last fiscal year. The Bank comfortably exceeds the applicable regulatory standards to be considered "well-capitalized".

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