

FIRST CAPITAL, INC. REPORTS QUARTERLY EARNINGS

Corydon, Indiana — (BUSINESS WIRE) — April 26, 2024. First Capital, Inc. (the “Company”) (NASDAQ: FCAP), the holding company for First Harrison Bank (the “Bank”), today reported net income of \$3.0 million, or \$0.88 per diluted share, for the quarter ended March 31, 2024, compared to net income of \$3.8 million, or \$1.14 per diluted share, for the quarter ended March 31, 2023.

Net interest income after provision for credit losses decreased \$678,000 for the quarter ended March 31, 2024 as compared to the same period in 2023. Interest income increased \$1.7 million when comparing the periods due to an increase in the average tax-equivalent yield on interest-earning assets from 3.73% for the first quarter of 2023 to 4.29% for the first quarter of 2024. The average balance of interest-earning assets was \$1.12 billion for the first quarters of 2023 and 2024. The increase in the tax-equivalent yield was primarily due to an increase in the tax equivalent yield on loans to 5.91% for the first quarter of 2024 compared to 5.40% for the same period in 2023. Interest expense increased \$2.2 million when comparing the periods due to an increase in the average cost of interest-bearing liabilities from 0.51% for the first quarter of 2023 to 1.55% for the first quarter of 2024, in addition to an increase in the average balance of interest-bearing liabilities from \$788.2 million for the first quarter of 2023 to \$833.7 million for the first quarter of 2024. The Company had average outstanding advances from the Federal Home Loan Bank (“FHLB”) of \$3.4 million with an average rate of 5.63% and average outstanding borrowings under the Federal Reserve Bank’s Bank Term Funding Program (“BTFP”) of \$31.9 million with an average rate of 4.81% during the quarter ended March 31, 2024. The Company’s total average outstanding balance of borrowings during the quarter ended March 31, 2024 was \$35.3 million with an average rate of 4.89%. There were no outstanding borrowed funds during the same quarter in 2023. As a result of the changes in interest-earning assets and interest-bearing liabilities, the tax-equivalent interest rate margin decreased from 3.38% for the quarter ended March 31, 2023 to 3.14% for the same period in 2024.

Based on management’s analysis of the Allowance for Credit Losses (“ACL”) on loans and unfunded loan commitments, the provision for credit losses increased from \$193,000 for the quarter ended March 31, 2023 to \$280,000 for the quarter ended March 31, 2024. The increase was due to loan growth during the period as well as management’s consideration of macroeconomic uncertainty. The Bank recognized net charge-offs of \$55,000 and \$203,000 for the quarters ended March 31, 2024 and 2023, respectively.

Noninterest income decreased \$92,000 for the quarter ended March 31, 2024 as compared to the same period in 2023. The Company recognized a \$27,000 decrease in ATM and debit card fees, when comparing the two periods. In addition, the Company recognized a \$68,000 loss on equity securities for the quarter ended March 31, 2024 compared to a gain of \$137,000 for the same quarter in 2023. These were partially offset by increases of \$58,000 and \$31,000 in other income and service charges on deposit accounts, respectively. In addition, there was a \$32,000 gain on sale of available for sale securities during the quarter ended March 31, 2024 and no such sale in 2023.

Noninterest expense increased \$356,000 for the quarter ended March 31, 2024 as compared to the same period in 2023, due primarily to increases in other expenses, professional fees, compensation and benefits, and data processing expenses of \$163,000, \$73,000, \$54,000, and \$45,000, respectively. The increase in other expenses was due primarily to increases in FDIC insurance premiums, consumer fraud losses, and cable and internet expense of \$53,000, \$34,000 and \$26,000, respectively.

Income tax expense decreased \$262,000 for the first quarter of 2024 as compared to the first quarter of 2023 primarily due to increased benefits from tax credit entity investments during 2024. As a result, the effective tax rate for the quarter ended March 31, 2024 was 14.6% compared to 16.8% for the same period in 2023.

Total assets were \$1.16 billion at both March 31, 2024 and December 31, 2023. Net loans receivable and total cash and cash equivalents increased \$7.0 million and \$3.4 million from December 31, 2023 to March 31, 2024, respectively, while securities available for sale decreased \$9.1 million, during the same period. Deposits decreased \$15.1 million from \$1.03 billion at December 31, 2023 to \$1.01 billion at March 31, 2024. The Bank had \$33.6 million in borrowings outstanding through the Federal Reserve Bank’s BTFP at March 31, 2024 compared to \$21.5 million at December 31, 2023. Nonperforming assets (consisting of nonaccrual loans, accruing loans 90 days or more past due, and foreclosed real estate) decreased from \$1.8 million at December 31, 2023 to \$1.7 million at March 31, 2024.

The Bank currently has 18 offices in the Indiana communities of Corydon, Edwardsville, Greenville, Floyds Knobs, Palmyra, New Albany, New Salisbury, Jeffersonville, Salem, Lanesville and Charlestown and the Kentucky communities of Shepherdsville, Mt. Washington and Lebanon Junction.

Access to First Harrison Bank accounts, including online banking and electronic bill payments, is available through the Bank's website at www.firstharrison.com. For more information and financial data about the Company, please visit Investor Relations at the Bank's aforementioned website. The Bank can also be followed on Facebook.

Cautionary Note Regarding Forward-Looking Statements

This press release may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of the words "anticipate," "believe," "expect," "intend," "could" and "should," and other words of similar meaning. Forward-looking statements are not historical facts nor guarantees of future performance; rather, they are statements based on the Company's current beliefs, assumptions, and expectations regarding its business strategies and their intended results and its future performance.

Numerous risks and uncertainties could cause or contribute to the Company's actual results, performance and achievements to be materially different from those expressed or implied by these forward-looking statements. Factors that may cause or contribute to these differences include, without limitation, general economic conditions, including changes in market interest rates and changes in monetary and fiscal policies of the federal government; competition; the ability of the Company to execute its business plan; legislative and regulatory changes; the quality and composition of the loan and investment portfolios; loan demand; deposit flows; changes in accounting principles and guidelines; and other factors disclosed periodically in the Company's filings with the Securities and Exchange Commission.

Because of the risks and uncertainties inherent in forward-looking statements, readers are cautioned not to place undue reliance on them, whether included in this press release, the Company's reports, or made elsewhere from time to time by the Company or on its behalf. These forward-looking statements are made only as of the date of this press release, and the Company assumes no obligation to update any forward-looking statements after the date of this press release.

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FIRST CAPITAL, INC. AND SUBSIDIARIES
Consolidated Financial Highlights (Unaudited)

OPERATING DATA (Dollars in thousands, except per share data)	Three Months Ended	
	March 31,	
	2024	2023
Total interest income	\$ 11,837	\$ 10,187
Total interest expense	3,237	996
Net interest income	8,600	9,191
Provision for credit losses	280	193
Net interest income after provision for credit losses	8,320	8,998
Total non-interest income	1,899	1,991
Total non-interest expense	6,757	6,401
Income before income taxes	3,462	4,588
Income tax expense	507	769
Net income	2,955	3,819
Less net income attributable to the noncontrolling interest	3	3
Net income attributable to First Capital, Inc.	<u>\$ 2,952</u>	<u>\$ 3,816</u>
Net income per share attributable to		
First Capital, Inc. common shareholders:		
Basic	<u>\$ 0.88</u>	<u>\$ 1.14</u>
Diluted	<u>\$ 0.88</u>	<u>\$ 1.14</u>
Weighted average common shares outstanding:		
Basic	3,345,060	3,353,623
Diluted	3,345,060	3,353,623
OTHER FINANCIAL DATA		
Cash dividends per share	\$ 0.27	\$ 0.27
Return on average assets (annualized) (1)	1.03%	1.34%
Return on average equity (annualized) (1)	11.25%	17.34%
Net interest margin (tax-equivalent basis)	3.14%	3.38%
Interest rate spread (tax-equivalent basis)	2.74%	3.22%
Net overhead expense as a percentage of average assets (annualized) (1)	2.35%	2.25%
BALANCE SHEET INFORMATION	March 31,	December 31,
	2024	2023
Cash and cash equivalents	\$ 42,092	\$ 38,670
Interest-bearing time deposits	3,185	3,920
Investment securities	435,144	444,271
Gross loans	629,607	622,414
Allowance for credit losses	8,230	8,005
Earning assets	1,084,686	1,083,898
Total assets	1,156,555	1,157,880
Deposits	1,010,092	1,025,211
Borrowed funds	33,625	21,500
Stockholders' equity, net of noncontrolling interest	105,725	105,233
Allowance for credit losses as a percent of gross loans	1.31%	1.29%
Non-performing assets:		
Nonaccrual loans	1,680	1,751
Accruing loans past due 90 days	-	-
Foreclosed real estate	-	-
Regulatory capital ratios (Bank only):		
Community Bank Leverage Ratio (2)	10.29%	9.92%

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- (1) See reconciliation of GAAP and non-GAAP financial measures for additional information relating to the calculation of this item.
- (2) Effective March 31, 2020, the Bank opted in to the Community Bank Leverage Ratio (CBLR) framework. As such, the other regulatory ratios are no longer provided.

RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES (UNAUDITED):

This presentation contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Management uses these “non-GAAP” measures in its analysis of the Company's performance. Management believes that these non-GAAP financial measures allow for better comparability with prior periods, as well as with peers in the industry who provide a similar presentation, and provide a further understanding of the Company's ongoing operations. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. The following table summarizes the non-GAAP financial measures derived from amounts reported in the Company's consolidated financial statements and reconciles those non-GAAP financial measures with the comparable GAAP financial measures.

	Three Months Ended	
	March 31,	
	<u>2024</u>	<u>2023</u>
Return on average assets before annualization	0.26%	0.34%
Annualization factor	<u>4.00</u>	<u>4.00</u>
Annualized return on average assets	<u><u>1.03%</u></u>	<u><u>1.34%</u></u>
Return on average equity before annualization	2.81%	4.34%
Annualization factor	<u>4.00</u>	<u>4.00</u>
Annualized return on average equity	<u><u>11.25%</u></u>	<u><u>17.34%</u></u>
Net overhead expense as a % of average assets before annualization	0.59%	0.56%
Annualization factor	<u>4.00</u>	<u>4.00</u>
Annualized net overhead expense as a % of average assets	<u><u>2.35%</u></u>	<u><u>2.25%</u></u>