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FOR IMMEDIATE RELEASE

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FS Bancorp Reports December 31, 2022 Financial Results

LAGRANGE, IN. – FS Bancorp (the “Company”) (OTCPK: FXLG) parent company of Farmers State Bank (the “Bank”) announced earnings for the quarter ended December 31, 2022.

FS Bancorp is pleased to report quarterly earnings for the quarter ending December 31, 2022. Net income for the quarter ended December 31, 2022 was \$4.1 million compared to \$3.9 million for the same quarter of 2021. The continued growth of our balance sheet combined with good expense management has allowed us to maintain strong core earnings. Highlights of the fourth quarter of 2022 included the following items:

- Total loans totaled \$747 million at December 31, 2022 compared to \$673 million at December 31, 2021.
- Total assets, total loans and total deposits all reached record quarter end levels at December 31, 2022.
- Asset quality remains very good through the fourth quarter of 2022. Net recoveries during the fourth quarter of 2022 totaled \$5,000, and total delinquencies were 0.14% of loans at December 31, 2022.

Like many banks we originated many loans over the last three years that have not repriced since interest rates have begun their significant rise. However, the cost of deposits and other interest-bearing liabilities have been rising. In our effort to manage interest rate risk we purchased an interest rate cap to help protect future earnings should the Federal Reserve raise interest rates further than currently expected.. At December 31, 2022, the interest rate cap resulted in a loss of \$310,000 that is included in Other income. The quarterly revaluation of the interest rate cap could have a positive or negative impact on future earnings.

We are pleased to have achieved 11% loan growth over the past twelve months while maintaining strong asset quality indicators.

In October of 2022, the Indiana Department of Revenue (IDOR) proposed adjustments to our tax returns for 2018 and 2019 related to a single tax position of the Company and requested we pay approximately \$1.5 million in taxes, penalties and interest. We protested IDOR's findings, and they have indicated they are no longer pursuing the matter.

We are very pleased that we had a great year in 2022. Our entire team is focused on growing our Company and implementing changes that will be a benefit to our customers, employees and the communities we serve. Thank you for your continued investment in FS Bancorp and your support of our Farmers State Bank team.

Forward Looking Statements

This press release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include expressions such as "expects," "intends," "believes," and "should," which are necessarily statements of belief as to the expected outcomes of future events. Actual results could materially differ from those presented. The Company's ability to predict future results involves a number of risks and uncertainties. The Company undertakes no obligation to release revisions to these forward-looking statements or reflect events or circumstances after the date of this release.

Founded in 1915 in Stroh, Indiana, Farmers State Bank is one of northeast Indiana's leading financial institutions and the home of Blue Button Banking. With corporate headquarters in LaGrange, Indiana, Farmers State Bank has been providing banking and financial services to both consumers and businesses for the past 100 years. To learn more, visit GoFSB.com.

FS BANCORP
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021 (Unaudited)

| (Dollars in thousands) | <u>December 31,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> |
|--|------------------------------------|------------------------------------|
| Assets | | |
| Cash and due from banks | \$ 89,703 | \$ 72,304 |
| Investment securities | 294,491 | 318,617 |
| Federal Home Loan Bank stock | 2,143 | 2,343 |
| Total loans | 747,160 | 672,850 |
| Less allowance for loan losses | (6,708) | (6,598) |
| Loans, net | 740,452 | 666,252 |
| Premises and equipment, net | 10,404 | 10,340 |
| CSV- Insurance | 19,014 | 14,638 |
| Goodwill and other intangible assets | 2,604 | 2,604 |
| Other assets | 20,498 | 7,288 |
| Total Assets | \$ 1,179,309 | \$ 1,094,386 |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing demand | \$ 286,637 | \$ 274,268 |
| Interest-bearing demand | 476,466 | 423,879 |
| Savings | 189,686 | 188,500 |
| Time under \$250,000 | 90,312 | 72,635 |
| Time \$250,000 and over | 23,861 | 19,577 |
| Total deposits | 1,066,962 | 978,859 |
| Repurchase agreements | 6,970 | 7,607 |
| Federal Home Loan Bank advances | 10,000 | - |
| Other liabilities | 7,377 | 5,356 |
| Total Liabilities | 1,091,309 | 991,822 |
| Shareholders' Equity | | |
| Common stock: No par value, 10,000,000 shares authorized; 4,763,904 shares issued and 4,300,070 and 4,332,316 shares outstanding 2022 and 2021 | 149 | 149 |
| Paid-in capital | 3,088 | 3,152 |
| Retained earnings | 117,283 | 104,909 |
| Net unrealized gains (losses) on securities | (23,633) | 1,861 |
| Less treasury stock, at cost; 463,834 and 431,588 shares 2022 and 2021 | (8,887) | (7,507) |
| Total Shareholders' Equity | 88,000 | 102,564 |
| Total Liabilities and Shareholders' Equity | \$ 1,179,309 | \$ 1,094,386 |

FS BANCORP
CONSOLIDATED STATEMENTS OF INCOME

For the Three and Twelve Months Ended December 31, 2022 and 2021 (Unaudited)

| (Dollars in thousands except earnings per share) | <u>Three Months Ended</u> <u>December 31,</u> | | <u>Twelve Months Ended</u> <u>December 31,</u> | |
|---|--|-----------------|---|------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Interest Income | | | | |
| Interest and fees on loans | \$ 8,895 | \$ 7,118 | \$ 31,986 | \$ 29,585 |
| Interest on investment securities | 1,485 | 1,319 | 5,732 | 4,317 |
| Other interest and dividend income | 854 | 83 | 1,434 | 316 |
| Total Interest Income | 11,234 | 8,520 | 39,152 | 34,218 |
| Interest Expense | | | | |
| Interest on deposits | 2,127 | 269 | 3,733 | 1,122 |
| Interest on FHLB advances and other borrowings | 34 | 19 | 36 | 306 |
| Total Interest Expense | 2,161 | 288 | 3,769 | 1,428 |
| Net Interest Income | 9,073 | 8,232 | 35,383 | 32,790 |
| Provision for loan losses | - | - | 160 | - |
| Net Interest Income after Provision for Loan Losses | 9,073 | 8,232 | 35,223 | 32,790 |
| Noninterest Income | | | | |
| Service charges on deposit accounts | 455 | 480 | 1,973 | 1,706 |
| Credit and debit card income | 866 | 900 | 3,447 | 3,372 |
| Mortgage banking | 45 | 100 | 390 | 809 |
| Gains and losses on securities | 16 | - | (26) | 533 |
| Other income | (32) | 308 | 829 | 1,222 |
| Total Noninterest Income | 1,350 | 1,788 | 6,613 | 7,642 |
| Noninterest Expenses | | | | |
| Salaries and employee benefits | 3,047 | 3,071 | 12,499 | 12,496 |
| Occupancy expense on premises, furniture and equipment, net | 476 | 499 | 1,966 | 1,958 |
| Data processing expense | 551 | 461 | 2,140 | 1,886 |
| Advertising and marketing expense | 94 | 140 | 499 | 951 |
| Other expenses | 1,435 | 1,379 | 5,116 | 4,735 |
| Total Noninterest Expenses | 5,603 | 5,550 | 22,220 | 22,026 |
| Income Before Income Taxes | 4,820 | 4,470 | 19,616 | 18,406 |
| Income tax expense (benefit) | 703 | 614 | 3,145 | 2,943 |
| Net Income | \$ 4,117 | \$ 3,856 | \$ 16,471 | \$ 15,463 |
| Basic Earnings Per Share | \$ 0.96 | \$ 0.89 | \$ 3.82 | \$ 3.57 |
| Diluted Earnings Per Common Share | \$ 0.96 | \$ 0.88 | \$ 3.80 | \$ 3.54 |