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FOR IMMEDIATE RELEASE

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FS Bancorp Reports December 31, 2021 Financial Results

LAGRANGE, IN. – FS Bancorp (the “Company”) (OTCPK: FXLG) parent company of Farmers State Bank (the “Bank”) announced earnings for the year ended December 31, 2021.

FS Bancorp is pleased to report record earnings for the year ending December 31, 2021. Net income for the year ended December 31, 2021 was \$15.5 million compared to \$14.3 million for 2020. During the fourth quarter of 2021, net income for the Company was \$3,856,000 compared to \$3,718,000 for the fourth quarter of 2020. FS Bancorp experienced the following highlights during 2021:

- Total loans excluding warehouse participations and Paycheck Protection Program (PPP) loans totaled \$664 million at December 31, 2021 compared to \$605 million at December 31, 2020. At December 31, 2021 our one remaining PPP loan had an outstanding balance of \$6,000 and warehouse participations totaled \$8 million.
- During the fourth quarter our securities available for sale increased \$78.3 million. This was primarily related to the purchase of \$79 million of U.S. Treasury bonds. These U.S. Treasury bonds have an average maturity of approximately three years.
- We prepaid \$31.5 million of Federal Home Loan Bank advances with penalties totaling \$453,000 during 2021 compared to penalties of \$439,000 during 2020.
- Total deposits grew to a record \$979 million at December 31, 2021.
- Total shareholders' equity was more than \$102 million at December 31, 2021 representing an increase of more than \$7 million since December 31, 2020.
- PPP fee income was \$111,000 and \$535,000 for the three months ended December 31, 2021 and 2020 and \$1,328,000 and \$950,000 for the twelve months ended December 31, 2021 and 2020.

- Gains on sale of securities was \$533,000 during 2021 compared to \$18,000 during 2020. During the second quarter of 2021, the Company experienced a gain of \$387,000 on the sale of a restricted stock of a financial services company.
- During the second quarter of 2021, the Bank committed nearly \$450,000 to area schools to support student athletes across our footprint. This expense is included in advertising and marketing expense.
- Asset quality remains very good through the fourth quarter of 2021. Net charge-offs during 2021 totaled \$49,000, and total delinquencies were 0.16% of loans at December 31, 2021.

We are pleased to have achieved 10% loan growth (excluding warehouse participations and PPP loans) over the past twelve months. Of the \$58.7 million of portfolio loan growth in 2021, \$35.1 million occurred in the fourth quarter. Income from PPP loans has been a source of income for Farmers State Bank and other financial institutions over the past two years. We do not expect this to be a meaningful source of income going forward.

The Company's Board of Directors approved dividends totaling a record \$1.78 per share during 2021 as well as a new stock repurchase program that allows the Company to repurchase up to \$6 million of its stock during 2022 and 2023. 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, 2021 and 2020 (Unaudited)

(Dollars in thousands)	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Assets		
Cash and due from banks	\$ 72,304	\$ 100,536
Investment securities	318,617	173,542
Federal Home Loan Bank stock	2,343	2,246
Total loans	672,850	690,546
Less allowance for loan losses	(6,598)	(6,631)
Loans, net	666,252	683,915
Premises and equipment, net	10,340	10,736
CSV- Insurance	14,638	14,361
Goodwill and other intangible assets	2,604	2,604
Other assets	7,288	5,566
Total Assets	\$ 1,094,386	\$ 993,506
Liabilities		
Deposits		
Noninterest-bearing demand	\$ 274,268	\$ 261,891
Interest-bearing demand	423,879	359,969
Savings	188,500	124,153
Time under \$250,000	72,635	87,540
Time \$250,000 and over	19,577	21,230
Total deposits	978,859	854,783
Repurchase agreements	7,607	8,012
Federal Home Loan Bank advances	-	31,427
Other liabilities	5,356	4,640
Total Liabilities	991,822	898,862
Shareholders' Equity		
Common stock: No par value, 5,000,000 shares authorized; 2,381,952 shares issued and 2,166,158 and 2,173,534 shares outstanding 2021 and 2020	149	149
Paid-in capital	3,152	3,549
Retained earnings	104,909	93,302
Net unrealized gains (losses) on securities	1,861	4,399
Less treasury stock, at cost; 215,794 and 208,418 shares 2021 and 2020	(7,507)	(6,755)
Total Shareholders' Equity	102,564	94,644
Total Liabilities and Shareholders' Equity	\$ 1,094,386	\$ 993,506

FS BANCORP
CONSOLIDATED STATEMENTS OF INCOME

For the Three and Twelve Months Ended December 31, 2021 and 2020 (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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest Income				
Interest and fees on loans	\$ 7,118	\$ 8,215	\$ 29,585	\$ 31,497
Interest on investment securities	1,319	858	4,317	3,088
Other interest and dividend income	83	66	316	476
Total Interest Income	8,520	9,139	34,218	35,061
Interest Expense				
Interest on deposits	269	438	1,122	2,554
Interest on FHLB advances and other borrowings	19	169	306	682
Total Interest Expense	288	607	1,428	3,236
Net Interest Income	8,232	8,532	32,790	31,825
Provision for loan losses	-	-	-	380
Net Interest Income after Provision for Loan Losses	8,232	8,532	32,790	31,445
Noninterest Income				
Service charges on deposit accounts	480	428	1,706	1,617
Credit and debit card income	900	694	3,372	2,582
Mortgage banking	100	236	809	591
Gains and losses on securities	-	18	533	18
Other income	308	292	1,222	1,182
Total Noninterest Income	1,788	1,668	7,642	5,990
Noninterest Expenses				
Salaries and employee benefits	3,071	3,253	12,496	11,795
Occupancy expense on premises, furniture and equipment, net	499	533	1,958	1,903
Data processing expense	461	453	1,886	1,803
Advertising and marketing expense	140	140	951	507
Other expenses	1,379	1,358	4,735	4,247
Total Noninterest Expenses	5,550	5,737	22,026	20,255
Income Before Income Taxes	4,470	4,463	18,406	17,180
Income tax expense (benefit)	614	745	2,943	2,866
Net Income	\$ 3,856	\$ 3,718	\$ 15,463	\$ 14,314
Basic Earnings Per Share	\$ 1.78	\$ 1.70	\$ 7.14	\$ 6.56
Diluted Earnings Per Common Share	\$ 1.77	\$ 1.69	\$ 7.09	\$ 6.51