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FOR IMMEDIATE RELEASE

January 8, 2024

FS Bancorp Reports December 31, 2023 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, 2023.

We are very excited about how we are positioned to start 2024. The Bank entered 2024 with increasing capital, solid liquidity, improved asset mix, no outstanding term debt and very good asset quality indicators.

FS Bancorp is pleased to report earnings for the quarter ending December 31, 2023. Net income for the quarter ended December 31, 2023 was \$1.7 million compared to \$4.1 million for the same quarter of 2022. Near the end of the fourth quarter, we executed a balance sheet repositioning related to our investment securities portfolio. The Company sold available-for-sale (“AFS”) securities with a par value of \$70 million, composed of treasury bonds with a weighted average book yield of .85% and an average maturity of approximately one year. These transactions are designed to immediately improve net interest income and improve overall balance sheet flexibility in a volatile interest rate environment. \$30 million of the proceeds have been re-deployed into higher yielding treasury bonds with an average maturity of approximately 2 years. Fourth quarter and full year 2023 net income reflect an after-tax impact of \$2.2 million from the \$2.8 million pre-tax loss on the sale of securities. We expect the results of this repositioning to be immediately beneficial to earnings in 2024.

Core earnings continued to be solid with net interest income remaining relatively stable in a volatile interest rate environment. Net interest income for the quarter ended December 31, 2023 was \$9.0 million compared to \$8.7 million for the quarter ended September 30, 2023. Net interest income for the twelve months ended 2023 and 2022 were \$35.0 and \$35.4 million respectively.

Highlights of the fourth quarter of 2023 included the following items:

- Total loans were \$795 million at December 31, 2023 compared to \$747 million at December 31, 2022.

- Total deposits were \$1,051,106,000 at December 31, 2023 compared to \$1,066,962,000 at December 31, 2022, which represents a 1% decrease. Total deposits include \$69.5 million and \$22.5 million of brokered deposits at December 31, 2023 and 2022, respectively. Noninterest-bearing demand deposits were \$255.3 million at December 31, 2023 compared to \$259.2 million at September 30, 2023.
- Total equity increased \$13.4 million to \$101.4 million at December 31, 2023 compared to December 31, 2022.
- Asset quality remains very good in 2023. Net charge-offs during the fourth quarter of 2023 totaled \$16,000, and total delinquencies were 0.39% of loans at December 31, 2023.
- We prepaid \$20 million of Federal Home Loan Bank advances that resulted in a gain of \$531,000 during the fourth quarter of 2023.
- During the fourth quarter, we dissolved Farmers State Risk Management, Inc. (FSRMI) as we are expecting new guidance from the Internal Revenue Service (IRS) relative to captive insurance subsidiaries. Dissolving FSRMI did not have a material impact on our 2023 financial results. While the IRS has not yet issued final guidance on captive insurance companies, the issuance of such guidance could have a material impact on our financial results in the period the guidance is issued. We do not expect the final guidance to have a material impact on the overall financial condition of FS Bancorp, and earnings for periods after the guidance is issued are not expected to be materially impacted.

The Company's Board of Directors approved a new stock repurchase program that allows the Company to repurchase up to \$7.5 million of its stock during 2023 and 2024.

We are pleased to have solid earnings for 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, 2023 and 2022 (Unaudited)

(Dollars in thousands)	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Assets		
Cash and due from banks	\$ 94,355	\$ 89,703
Investment securities	232,214	294,491
Federal Home Loan Bank stock	3,348	2,143
Total loans	794,938	747,160
Less allowance for credit losses	(7,145)	(6,708)
Loans, net	787,793	740,452
Premises and equipment, net	10,219	10,404
Cash surrender value of life insurance	18,342	19,014
Goodwill and other intangible assets	2,604	2,604
Other assets	15,932	20,498
Total Assets	\$ 1,164,807	\$ 1,179,309
Liabilities		
Deposits		
Noninterest-bearing demand	\$ 255,298	\$ 286,637
Interest-bearing demand	435,906	476,466
Savings	184,791	189,686
Time under \$250,000	139,777	90,312
Time \$250,000 and over	35,334	23,861
Total deposits	1,051,106	1,066,962
Repurchase agreements	5,068	6,970
Federal Home Loan Bank advances	-	10,000
Other liabilities	7,227	7,377
Total Liabilities	1,063,401	1,091,309
Shareholders' Equity		
Common stock: No par value, 10,000,000 shares authorized; 4,763,904 shares issued and 4,283,122 and 4,300,070 shares outstanding 2023 and 2022	149	149
Paid-in capital	3,084	3,088
Retained earnings	125,737	117,283
Net unrealized gains (losses) on securities	(18,043)	(23,633)
Less treasury stock, at cost; 480,782 and 463,834 shares 2023 and 2022	(9,521)	(8,887)
Total Shareholders' Equity	101,406	88,000
Total Liabilities and Shareholders' Equity	\$ 1,164,807	\$ 1,179,309

FS BANCORP
CONSOLIDATED STATEMENTS OF INCOME

For the Three and Twelve Months Ended December 31, 2023 and 2022 (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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest Income				
Interest and fees on loans	\$ 10,942	\$ 8,895	\$ 40,274	\$ 31,986
Interest on investment securities	1,450	1,485	5,929	5,732
Other interest and dividend income	1,092	854	3,687	1,434
Total Interest Income	13,484	11,234	49,890	39,152
Interest Expense				
Interest on deposits	4,422	2,127	14,250	3,733
Interest on FHLB advances and other borrowings	109	34	659	36
Total Interest Expense	4,531	2,161	14,909	3,769
Net Interest Income	8,953	9,073	34,981	35,383
Credit loss expense -loans	-	-	192	160
Net Interest Income after Credit Loss Expense	8,953	9,073	34,789	35,223
Noninterest Income				
Service charges on deposit accounts	482	455	2,023	1,973
Credit and debit card income	868	866	3,424	3,447
Mortgage banking	29	45	199	390
Gains and losses on securities	(2,723)	16	(2,947)	(26)
Other income	(104)	(32)	955	829
Total Noninterest Income	(1,448)	1,350	3,654	6,613
Noninterest Expenses				
Salaries and employee benefits	3,414	3,047	13,233	12,499
Occupancy expense on premises, furniture and equipment, net	455	476	1,937	1,966
Data processing expense	611	551	2,374	2,140
Advertising and marketing expense	153	94	566	499
Other expenses	887	1,435	5,110	5,116
Total Noninterest Expenses	5,520	5,603	23,220	22,220
Income Before Income Taxes	1,985	4,820	15,223	19,616
Income tax expense (benefit)	247	703	2,271	3,145
Net Income	\$ 1,738	\$ 4,117	\$ 12,952	\$ 16,471
Basic Earnings Per Share	\$ 0.41	\$ 0.96	\$ 3.02	\$ 3.82
Diluted Earnings Per Common Share	\$ 0.41	\$ 0.96	\$ 3.01	\$ 3.80