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FOR IMMEDIATE RELEASE

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FS Bancorp Reports September 30, 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 September 30, 2022.

FS Bancorp is pleased to report record quarterly earnings for the quarter ending September 30, 2022. Net income for the quarter ended September 30, 2022 was \$4.3 million compared to \$4.0 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 third quarter of 2022 included the following items:

- Total loans totaled \$731 million at September 30, 2022 compared to \$632 million at September 30, 2021.
- Total assets, total loans and total deposits all reached record quarter end levels at September 30, 2022.
- Asset quality remains very good through the third quarter of 2022. Net recoveries during the third quarter of 2022 totaled \$18,000, and total delinquencies were 0.06% as of loans at September 30, 2022.

We are pleased to have achieved 16% loan growth over the past twelve months while maintaining strong asset quality indicators. During the third quarter of 2022, changes in market conditions including interest rates negatively impacted the value of our investment portfolio and the net unrealized losses on securities which is a component of shareholders’ equity. The resulting decline in shareholders’ equity does not impact regulatory capital levels as this amount is not a component of regulatory capital.

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 are protesting IDOR’s findings and believe the tax position taken by the Company is consistent with Indiana law, previous rulings by

IDOR and common practice in the Indiana banking industry. If IDOR is successful, the Company could incur approximately \$3 million in expense (net of federal tax benefits) for all tax years that are currently open under Indiana law. After discussing this matter with our legal counsel and independent audit firm, we have determined that no expense or liability should be recorded as of September 30, 2022 for this matter based on existing accounting guidance.

We are very pleased that we had a great first nine months 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
September 30, 2022 and 2021 (Unaudited)

(Dollars in thousands)	<u>September 30,</u> <u>2022</u>	<u>September 30,</u> <u>2021</u>
Assets		
Cash and due from banks	\$ 86,817	\$ 162,948
Investment securities	291,483	247,314
Federal Home Loan Bank stock	2,143	2,343
Total loans	730,635	631,804
Less allowance for loan losses	(6,721)	(6,611)
Loans, net	723,914	625,193
Premises and equipment, net	10,448	10,475
CSV- Insurance	18,897	14,569
Goodwill and other intangible assets	2,604	2,604
Other assets	17,241	6,770
Total Assets	\$ 1,153,547	\$ 1,072,216
Liabilities		
Deposits		
Noninterest-bearing demand	\$ 292,133	\$ 272,360
Interest-bearing demand	465,642	393,732
Savings	192,925	189,879
Time under \$250,000	73,466	73,640
Time \$250,000 and over	32,165	19,526
Total deposits	1,056,331	949,137
Repurchase agreements	7,432	7,498
Federal Home Loan Bank advances	-	10,000
Other liabilities	7,464	5,383
Total Liabilities	1,071,227	972,018
Shareholders' Equity		
Common stock: No par value, 10,000,000 shares authorized; 4,763,904 shares issued and 4,297,676 and 4,326,464 shares outstanding 2022 and 2021	149	149
Paid-in capital	3,045	3,697
Retained earnings	114,013	101,878
Net unrealized gains (losses) on securities	(25,973)	2,306
Less treasury stock, at cost; 466,228 and 437,440 shares 2022 and 2021	(8,914)	(7,832)
Total Shareholders' Equity	82,320	100,198
Total Liabilities and Shareholders' Equity	\$ 1,153,547	\$ 1,072,216

FS BANCORP
CONSOLIDATED STATEMENTS OF INCOME

For the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited)

(Dollars in thousands except earnings per share)	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest Income				
Interest and fees on loans	\$ 8,225	\$ 7,581	\$ 23,091	\$ 22,467
Interest on investment securities	1,476	1,104	4,247	2,998
Other interest and dividend income	346	101	580	233
Total Interest Income	10,047	8,786	27,918	25,698
Interest Expense				
Interest on deposits	941	283	1,606	853
Interest on FHLB advances and other borrowings	1	77	2	287
Total Interest Expense	942	360	1,608	1,140
Net Interest Income	9,105	8,426	26,310	24,558
Provision for loan losses	60	(56)	160	-
Net Interest Income after Provision for Loan Losses	9,045	8,482	26,150	24,558
Noninterest Income				
Service charges on deposit accounts	573	465	1,518	1,226
Credit and debit card income	868	891	2,581	2,472
Mortgage banking	108	177	345	709
Gains and losses on securities	(42)	132	(42)	533
Other income	303	281	861	914
Total Noninterest Income	1,810	1,946	5,263	5,854
Noninterest Expenses				
Salaries and employee benefits	3,174	3,163	9,452	9,425
Occupancy expense on premises, furniture and equipment, net	482	490	1,490	1,459
Data processing expense	564	473	1,589	1,425
Advertising and marketing expense	131	150	405	811
Other expenses	1,354	1,341	3,681	3,356
Total Noninterest Expenses	5,705	5,617	16,617	16,476
Income Before Income Taxes	5,150	4,811	14,796	13,936
Income tax expense (benefit)	877	780	2,442	2,329
Net Income	\$ 4,273	\$ 4,031	\$ 12,354	\$ 11,607
Basic Earnings Per Share	\$ 1.00	\$ 0.93	\$ 2.86	\$ 2.68
Diluted Earnings Per Common Share	\$ 0.99	\$ 0.92	\$ 2.84	\$ 2.66