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FOR IMMEDIATE RELEASE

January 27, 2023

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>Twelve Months Ended</u>	
	<u>December 31,</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