

March 31, 2018

F S Bancorp Reports First Quarter 2018 Financial Results

We are pleased to report record earnings for the first quarter of 2018. Net income grew by 30% compared to the first quarter of 2017 increasing from \$1,935,000 in 2017 to \$2,510,000 in 2018. During the first 3 months of 2018 our basic earnings per share grew to \$2.29 compared to \$1.73 for the same period in the prior year. Our earnings were driven by strong growth in net interest income and the overall management of operating expenses. Recent tax cut legislation reduced our incremental tax rate of 34% to a flat rate of 21% in 2018, which resulted in tax expense that was \$165,000 less than the same period last year. Excluding the impact of the lower tax expense, our earnings before taxes still increased by 16%.

Key Ratios	
	2018
Return on average assets	1.48%
Return on average equity	15.25%
Net interest margin	3.94%

We continue to see solid improvement in the strength of our balance sheet. Portfolio loans grew 13% during the past twelve months, deposits grew 10%, and shareholders' equity grew 4%. Meaningful balance sheet growth has not compromised our conservative approach to sound banking. Loan delinquencies and net loan losses remain at historically low levels as we head into the second quarter of 2018.

We are excited about investments we are making in the communities that we serve, which are headlined in 2018 by branch building projects in Shipshewana and LaGrange. We continue to strive to identify additional changes that will improve the customer experience.

We are also returning significant capital to our shareholders through our ongoing dividends and share repurchases. We increased our dividend to \$0.62 per share in March. We've also repurchased over 2,000 shares under our new Stock Repurchase Program at an average price of \$90.98 per share. We will continue to focus on generating results that will lead to good returns for our shareholders. Thank you for your continued investment in our Company.

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CONSOLIDATED BALANCE SHEETS

March 31, 2018 and 2017
(Unaudited - dollars in thousands)

	2018	2017
Assets		
Cash and due from banks	\$62,049	\$48,277
Investment securities	102,041	97,337
Federal Home Loan Bank stock	2,246	1,723
Total loans	516,354	457,319
Less deferred loan fees	(20)	(7)
Less allowance for loan losses	(5,432)	(5,175)
Loans, net	510,902	452,137
Premises and equipment, net	8,574	8,218
CSV-Insurance	13,538	13,232
Goodwill and other intangible assets	2,774	2,903
Other assets	5,879	5,124
Total Assets	\$708,003	\$628,951
Liabilities		
Deposits		
Noninterest-bearing demand	\$162,993	\$168,144
Interest-bearing demand	196,036	162,353
Savings	124,812	118,748
Time under \$100,000	48,337	47,443
Time \$100,000 and over	52,193	33,908
Total deposits	584,371	530,596
Repurchase agreements	4,053	3,471
Federal Home Loan Bank advances	48,388	26,873
Other liabilities	4,102	3,456
Total Liabilities	640,914	564,396
Shareholders' Equity		
Common stock: No par value, 5,000,000 shares authorized; 1,190,976 shares issued; and 1,098,347 and 1,119,938 shares outstanding 2018 and 2017	149	149
Paid-in capital	3,709	3,785
Retained earnings	68,544	63,245
Net unrealized gains (losses) on securities	(705)	55
Less treasury stock, at cost; 92,629 and 71,038 shares 2018 & 2017	(4,608)	(2,679)
Total Shareholders' Equity	67,089	64,555
Total Liabilities and Shareholders' Equity	\$708,003	\$628,951

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2018 and 2017
(Unaudited - dollars in thousands except earnings per share)

	2018	2017
Interest Income		
Interest and fees on loans	\$6,137	\$5,344
Interest on investment securities	616	573
Other interest and dividend income	169	113
Total Interest Income	6,922	6,030
Interest Expense		
Interest on deposits	485	245
Interest on FHLB advances and other borrowings	183	126
Total Interest Expense	668	371
Net Interest Income	6,254	5,659
Provision for loan losses	154	67
Net Interest Income after Provision for Loan Losses	6,100	5,592
Other Income		
Service charges on deposit accounts	433	462
Trust department income	55	60
Debit card income	478	452
Mortgage banking	72	35
Security gains and losses	-	38
Other service charges, commissions and fees	307	288
Total Other Income	1,345	1,335
Other Expenses		
Salaries and employee benefits	2,682	2,602
Occupancy expense of premises, net	255	251
Furniture and equipment, data processing expense	560	541
Advertising and marketing expense	110	102
FDIC assessment	54	50
Other expenses	770	777
Total Other Expenses	4,431	4,323
Income Before Income Taxes	3,014	2,604
Provision for income taxes	504	669
Net Income	\$2,510	\$1,935
Basic Earnings per Common Share	\$2.29	\$1.73
(Based on 1,098,311 and 1,119,302 average shares outstanding in 2018 and 2017)		