

## F S Bancorp Reports September 30, 2017 Financial Results

We are pleased to report our earnings for the first nine months of 2017 grew 9% compared to the same period in 2016. These results were primarily driven by strong growth in net interest income and our continued focus on improving efficiency. We were able to achieve growth in interest income despite the termination of our mortgage warehouse loan participation program with another community bank that earned us \$242,000 of interest income in the first nine months of 2016.

We continue to see solid improvement in the strength of our balance sheet. During the past twelve months, portfolio loans grew 8%, deposits grew 6%, and shareholders' equity grew 5%. Loan delinquencies and net loan losses remain at historically low levels as we head into the final quarter of 2017.

We continue to focus on the implementation of new technology to make sure we are delivering the products and services our customers want. We have made changes to our website ([www.GoFSB.com](http://www.GoFSB.com)) to improve the online experience for visitors who wish to learn more about our products and services.

We recently announced plans to build a new retail branch in LaGrange. This new facility will allow us to provide an improved customer experience for our LaGrange customers, and it will allow for additional office space in our main office to meet current and future operational needs. We believe this new facility is the best way to meet those two objectives, and we are excited about the significant investment in the LaGrange Community.

During the first nine months of 2017 our earnings per share grew to \$5.53 compared to \$5.03 for the same period in 2016. Our stock price increased 26% during the first nine months of the year from \$68.25 to \$85.76. During the third quarter, we increased our normal dividend by 6% from \$0.54 per share to \$0.57 per share, and paid a special dividend of \$0.23 per share. The Company has also repurchased over 17,000 shares through our Share Repurchase Program at an average price of \$80.96 per share. We are returning significant capital to our shareholders through our on going dividends and share repurchases. 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.

	Key Ratios	
	2017	2016
Return on average assets- YTD	1.28%	1.25%
Return on average equity- YTD	12.61%	12.17%
Net interest margin- YTD	3.99%	4.07%

**Gordon T. Anderson**  
*Owner, I&A Properties, LLC*

**Roger A. Bird**  
*Chairman, F S BANCORP  
Chairman, Farmers State Bank  
Bird, Brothers, Scheske, & Reed P.C.,  
Attorneys-at-Law*

**James M. Ingledue**  
*CEO/Founder, Jim Ingledue Construction, Inc.*

**Winford Jones**  
*Owner, Yoder's Shipshewana Hardware*

**Kevin Lambright**  
*Owner, KC Squared Farms, LLC*

**Thomas L. Miller**  
*President, Topeka Pharmacy*

**Rodney Perkins**  
*Co-owner of Perkins Twin Creek Farms, Stroh*

**Joseph Urbanski**  
*President & CEO, F S BANCORP  
President & CEO, Farmers State Bank*

**Kerry G. Sprunger**  
*Executive Vice President and Chief  
Lending Officer, Farmers State Bank*

**Honorary Directors**  
*Jerry O. Grogg  
James W. Perkins  
Miles S. Perkins  
C. Lynn Tracey  
Frederic J. Brown  
Ruth R. Perry  
Joseph G. Pierce*

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# Report of Condition

FS Bancorp

  
**Farmers  
State Bank**



# CONSOLIDATED BALANCE SHEETS

September 30, 2017 and 2016  
(Unaudited)

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and due from banks .....	\$37,326,400	\$35,361,410
Federal funds sold .....	—	—
Investment securities .....	106,277,837	91,444,135
Federal Home Loan Bank stock .....	1,723,000	1,723,000
Loans		
Total loans .....	482,895,128	447,896,653
Less deferred loan fees .....	(13,972)	(8,921)
Less allowance for loan losses .....	<u>(5,200,143)</u>	<u>(5,081,257)</u>
Loans, net .....	477,681,013	442,806,475
Premises and equipment, net .....	8,306,750	8,223,829
CSV-insurance .....	13,383,291	10,602,765
Goodwill and other intangible assets .....	2,831,362	2,978,166
Other assets .....	5,055,901	4,465,120
<b>Total Assets</b>	<b><u>\$652,585,554</u></b>	<b><u>\$597,604,900</u></b>
<b>Liabilities</b>		
Deposits		
Noninterest-bearing demand .....	\$172,454,495	\$152,755,197
Interest-bearing demand .....	172,683,846	164,021,840
Savings .....	115,870,516	111,504,820
Time under \$100,000 .....	46,570,639	48,674,913
Time \$100,000 and over .....	<u>33,111,093</u>	<u>33,243,472</u>
Total deposits .....	540,690,589	510,200,242
Repurchase agreements .....	4,610,163	3,979,267
Federal Home Loan Bank advances .....	36,880,433	16,866,227
Other liabilities .....	<u>4,032,682</u>	<u>3,261,217</u>
<b>Total Liabilities</b>	<b><u>586,213,867</u></b>	<b><u>534,306,953</u></b>
<b>Shareholders' Equity</b>		
Common stock: No par value, 5,000,000 shares authorized; 1,190,976 shares issued and 1,103,080 and 1,118,884 shares outstanding 2017 and 2016 .....	148,872	148,872
Paid-in capital .....	3,776,268	3,756,119
Retained earnings .....	65,988,891	60,668,396
Net unrealized gains (losses) on securities .....	538,672	1,443,591
Less treasury stock, at cost; 87,896 and 72,092 shares 2017 & 2016 .....	<u>(4,081,016)</u>	<u>(2,719,031)</u>
<b>Total Shareholders' Equity</b>	<b><u>66,371,687</u></b>	<b><u>63,297,947</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$652,585,554</u></b>	<b><u>\$597,604,900</u></b>

# CONSOLIDATED STATEMENTS OF INCOME

For the Nine Months Ended September 30, 2017 and 2016  
(Unaudited)

	<u>2017</u>	<u>2016</u>
<b>Interest Income</b>		
Interest and fees on loans .....	\$16,563,651	\$15,745,791
Interest on investment securities .....	1,813,758	1,550,655
Other interest and dividend income .....	299,187	200,501
<b>Total Interest Income</b>	<b><u>18,676,596</u></b>	<b><u>17,496,947</u></b>
<b>Interest Expense</b>		
Interest on deposits .....	860,832	622,535
Interest on FHLB advances and other borrowings .....	<u>421,860</u>	<u>308,645</u>
<b>Total Interest Expense</b>	<b><u>1,282,692</u></b>	<b><u>931,180</u></b>
<b>Net Interest Income</b>		
Provision for loan losses .....	17,393,904	16,565,767
<b>Net Interest Income after Provision for Loan Losses</b>	<b><u>17,194,904</u></b>	<b><u>16,295,767</u></b>
<b>Other Income</b>		
Service charges on deposit accounts .....	1,382,245	1,359,683
Trust department income .....	166,966	187,928
Mortgage banking .....	129,977	222,058
Security gains and losses .....	38,111	4,047
Other service charges, commissions and fees .....	<u>2,286,298</u>	<u>2,012,741</u>
<b>Total Other Income</b>	<b><u>4,003,597</u></b>	<b><u>3,786,457</u></b>
<b>Other Expenses</b>		
Salaries and employee benefits .....	7,612,568	7,542,438
Occupancy expense of premises, net .....	765,237	706,771
Furniture and equipment, data processing expense .....	1,658,303	1,477,289
Advertising and marketing expense .....	334,717	349,125
FDIC assessment .....	151,498	222,808
Other expenses .....	<u>2,372,532</u>	<u>2,264,591</u>
<b>Total Other Expenses</b>	<b><u>12,894,855</u></b>	<b><u>12,563,022</u></b>
<b>Income Before Income Taxes</b>		
Provision for income taxes .....	8,303,646	7,519,202
<b>Net Income</b>	<b><u>\$6,164,580</u></b>	<b><u>\$5,637,819</u></b>
<b>Basic Earnings per Common Share</b>		
	<u>\$5.53</u>	<u>\$5.03</u>
<small>(Based on 1,113,904 and 1,121,712 average shares outstanding in 2017 and 2016.)</small>		