

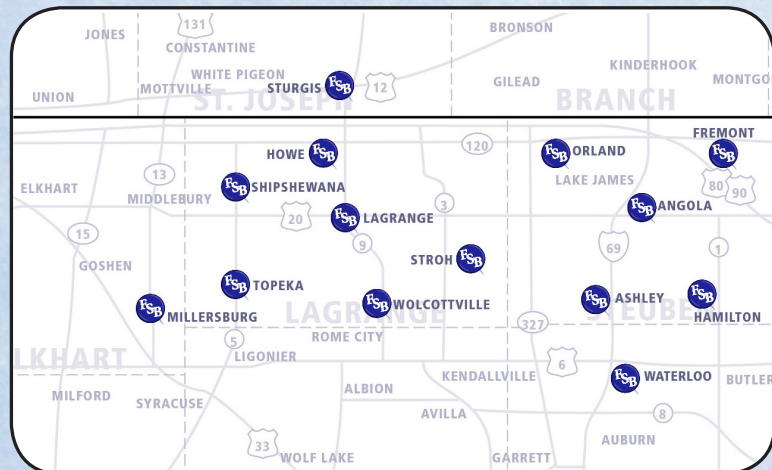
FS Bancorp Reports 8% Earnings Increase for the Nine Months Ending September 30, 2014

We are pleased to report that our earnings for the first nine months of 2014 exceeded \$4.6 million. FS Bancorp earnings for the first nine months of 2014 were 8% higher than the first nine months of 2013 which was a record earnings year. These results are the outcome of solid efforts on the part of the entire bank family and our communities' recognition of the benefits of banking with a locally owned and led company that is committed to the success of its customers.

During the past year, the Bank has grown its loan portfolio by more than 5% to more than \$388 million while maintaining our commitment to quality. While the Bank has been very focused on growing customer relationships, we have also been very attentive to controlling overhead expense. For the first 9 months of 2014 our total operating costs were only 1% higher than the prior year. We are very pleased with these results considering the significant investments we have been making to grow the Bank and improve our products and services.

We are pleased to report that the Bank continues to maintain and build an extremely strong balance sheet. At September 30, 2014, our total assets were \$532 million which is 6% higher than total assets one year ago. Our total shareholders' equity has grown almost 10% in the past year and is approximately \$54 million at September 30, 2014.

While we are glad to see that our stock price has begun to move up in 2014, it is currently at a price that represents a real value when compared to other Indiana banks given our earnings performance. Additionally, the dividend remains very strong compared to dividends paid by other Indiana banks. As we continue to focus on growing the Bank and producing strong financial results, we remain committed to the creation of exceptional shareholder value.



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FS Bancorp and Farmers State Bank

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Chairman, Farmers State Bank
Retired Pharmacist, Miller's Super Valu*

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

Winford Jones
Owner, Yoder's Shipshewana Hardware

Kevin Lambright
*Co-Owner, Shipshewana Auction/Flea Market
Co-Owner, Shipshewana Farmstead Inn
& Conference Center
Co-Owner, Trading Places Antiques*

Thomas L. Miller
President, Topeka Pharmacy

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

Ruth R. Perry
Retired CEO, Perry Personnel Plus, Inc.

Joseph G. Pierce
*President & CEO, F S BANCORP
President and CEO, Farmers State Bank*

C. Lynn Tracey
Retired-Farmers State Bank

Honorary Directors
*Jerry O. Grogg
James W. Perkins
Miles S. Perkins*

www.GoFSB.com



September 30, 2014

Report of Condition

FS Bancorp

Farmers State Bank

The Home of Blue Button Banking



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CONSOLIDATED BALANCE SHEETS

September 30, 2014 and 2013

	2014	2013
Assets		
Cash and due from banks	\$42,831,104	\$33,649,940
Federal funds sold	—	—
Investment securities	76,804,884	76,952,713
Federal Home Loan Bank Stock	2,470,400	2,470,400
Loans		
Total loans	388,327,561	367,711,218
Less deferred loan fees	(24,001)	(32,893)
Less allowance for loan losses	(5,426,501)	(5,661,581)
Loans, net	382,877,059	362,016,744
Premises and equipment, net	7,930,123	8,105,391
CVS-Insurance	10,530,533	10,293,438
Goodwill and other intangible assets	3,379,626	3,634,366
Other assets	5,303,572	6,043,432
Total Assets	<u>\$532,127,301</u>	<u>\$503,166,424</u>
Liabilities		
Deposits		
Noninterest-bearing demand	\$135,525,989	\$128,273,971
Interest-bearing demand	107,168,201	\$91,908,615
Savings	102,756,032	98,061,897
Time under \$100,000	61,250,012	69,739,125
Time \$100,000 and over	40,361,604	37,055,768
Total Deposits	447,061,838	425,039,376
Repurchase Agreements	6,626,959	4,508,058
Federal Home Loan Bank Advances	20,772,092	20,668,915
Notes Payable	—	—
Other liabilities	3,835,872	3,971,383
Total Liabilities	<u>478,296,761</u>	<u>454,187,732</u>
Shareholders' Equity		
Common stock: No par value, 5,000,000 shares authorized and 1,190,976 issued	148,872	148,872
Paid-in capital	3,776,058	3,750,484
Retained earnings	52,153,791	48,308,273
Net unrealized gains (losses) on securities	323,748	(657,008)
Less treasury stock, at cost	(2,571,929)	(2,571,929)
Total Shareholders' Equity	<u>53,830,540</u>	<u>48,978,692</u>
Total Liabilities and Shareholders' Equity	<u>\$532,127,301</u>	<u>503,166,424</u>

CONSOLIDATED STATEMENTS OF INCOME

For the Nine Months Ended September 30, 2014 and 2013

	2014	2013
Interest Income		
Interest and fees on loans	\$13,929,205	\$13,783,497
Interest on investment securities	1,262,778	1,378,799
Other interest and dividend income	202,421	120,662
Total Interest Income	<u>15,394,404</u>	<u>15,282,958</u>
Interest Expense		
Interest on deposits	722,768	976,524
Interest on FHLB advances and other borrowings	516,136	520,553
Total Interest Expense	<u>1,238,904</u>	<u>1,497,077</u>
Net Interest Income	14,155,500	13,785,881
Provision for loan losses	—	140,000
Net Interest Income after Provision for Loan Losses	14,155,500	13,645,881
Other Income		
Service charges on deposit accounts	1,338,245	1,318,390
Trust Department Income	190,937	239,336
Financial Services	171,363	249,819
Mortgage banking	203,751	329,777
Security gains and losses	28,348	1,523
Other service charges, commissions and fees	1,623,213	1,527,373
Total Other Income	<u>3,555,857</u>	<u>3,666,218</u>
Other Expenses		
Salaries and employee benefits	7,086,592	7,206,138
Occupancy expense of premises, net	801,875	762,611
Furniture and equipment, data processing expense	1,210,311	1,086,113
Advertising and marketing expense	286,060	204,231
FDIC Assessment	232,209	220,328
Other expenses	2,172,081	2,160,921
Total Other Expenses	<u>11,789,128</u>	<u>11,640,342</u>
Income Before Income Taxes	5,922,229	5,671,757
Provision for income taxes	1,303,302	1,395,659
Net Income	<u>\$4,618,927</u>	<u>\$4,276,098</u>
Basic Earnings per Common Share	<u>\$4.13</u>	<u>\$3.83</u>
(Based on 1,117,219 average shares outstanding in 2014 and 2013.)		