

## F S Bancorp Reports December 31, 2017 Financial Results

We are happy to report our 2017 full year financial results. Our net income for 2017 increased slightly compared to 2016 despite a nearly \$685,000 writedown of our deferred tax assets (DTA) as a result of the tax cut signed into legislation at the end of 2017, which will reduce our incremental tax rate of 34% to a flat rate of 21%. Excluding the DTA writedown, our income tax expense would have been \$2.9 million, and while this resulted in a large increase in income tax expense in 2017, we expect a material reduction in our income tax expense in 2018 and future years as a result of our new 21% corporate tax rate. Excluding the increased tax expense from the writedown of our DTA, net income grew 10%. This growth was driven by strong growth in net interest income and our continued focus on improving efficiency.

We continue to see solid improvement in the strength of our balance sheet. During the past twelve months, portfolio loans grew 11%, deposits grew 6%, and shareholders' equity grew 5%. Growth was achieved while still maintaining excellent asset quality evidenced by delinquencies and net charge-offs at historically low levels.

We remain focused on implementing new technology to make sure we are delivering the products and services our customers want, and providing high quality branch locations for our customers to conduct business with us in person.

During 2017 our earnings per share grew to \$6.77 (\$7.39 excluding the increased tax expense from the DTA writedown) compared to \$6.68 for the same period in 2016. Our stock price increased 35% during 2017 from \$68.25 to \$92.00. We increased our dividend payments from \$2.34 per share in 2016 to \$2.45 in 2017. The Company has also repurchased over 22,000 shares through our Share Repurchase Program at an average price of \$83.18 per share. We recently announced that the Board of Directors of FS Bancorp approved a new Stock Repurchase Program in an amount not to exceed \$4,000,000 with the program expiring December 31, 2019. We are returning significant capital to our shareholders through our ongoing 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.

## FS Bancorp and Farmers State Bank

**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*

[www.GoFSB.com](http://www.GoFSB.com)



December 31, 2017

# Report of Condition

FS Bancorp

**Farmers  
State Bank**



888.492.7111 / Telephone Banking 866.463.1110

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# CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016  
(Unaudited)

	2017	2016
<b>Assets</b>		
Cash and due from banks .....	\$94,148,462	\$100,665,347
Investment securities .....	104,751,739	96,032,325
Federal Home Loan Bank stock .....	2,246,200	1,723,000
Total loans .....	508,079,022	457,311,234
Less deferred loan fees .....	(16,837)	(7,725)
Less allowance for loan losses .....	(5,301,434)	(5,106,355)
Loans, net .....	502,760,751	452,197,154
Premises and equipment, net .....	8,515,952	8,216,857
CSV-Insurance .....	13,461,974	13,161,076
Goodwill and other intangible assets .....	2,801,402	2,939,218
Other assets .....	5,321,153	5,516,395
<b>Total Assets</b>	<b>\$734,007,633</b>	<b>\$680,451,372</b>
<b>Liabilities</b>		
Deposits .....		
Noninterest-bearing demand .....	\$161,151,040	\$165,518,847
Interest-bearing demand .....	271,038,212	228,450,668
Savings .....	105,171,397	113,532,852
Time under \$100,000 .....	46,832,492	47,624,824
Time \$100,000 and over .....	32,714,254	28,763,725
Total deposits .....	616,907,395	583,890,916
Repurchase agreements .....	4,627,102	3,941,717
Federal Home Loan Bank advances .....	43,383,984	26,869,778
Other liabilities .....	2,997,830	2,884,321
<b>Total Liabilities</b>	<b>667,916,311</b>	<b>617,586,732</b>
<b>Shareholders' Equity</b>		
Common stock: No par value, 5,000,000 shares authorized; 1,190,976 shares issued and 1,098,153 and 1,118,995 shares outstanding 2017 and 2016 .....	148,872	148,872
Paid-in capital .....	3,779,620	3,761,754
Retained earnings .....	66,715,566	61,915,598
Net unrealized gains (losses) on securities .....	(25,086)	(246,740)
Less treasury stock, at cost; 92,823 and 71,981 shares 2017 and 2016 .....	(4,527,650)	(2,714,844)
<b>Total Shareholders' Equity</b>	<b>66,091,322</b>	<b>62,864,640</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$734,007,633</b>	<b>\$680,451,372</b>

# CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2017 and 2016  
(Unaudited)

	2017	2016
<b>Interest Income</b>		
Interest and fees on loans .....	\$22,533,726	\$21,148,711
Interest on investment securities .....	2,382,208	2,026,018
Other interest and dividend income .....	487,079	342,663
<b>Total Interest Income</b>	<b>25,403,013</b>	<b>23,517,392</b>
<b>Interest Expense</b>		
Interest on deposits .....	1,231,769	854,996
Interest on FHLB advances and other borrowings .....	629,348	432,115
<b>Total Interest Expense</b>	<b>1,861,117</b>	<b>1,287,111</b>
<b>Net Interest Income</b> .....	<b>23,541,896</b>	<b>22,230,281</b>
Provision for loan losses .....	454,000	360,000
<b>Net Interest Income after Provision for Loan Losses</b> .....	<b>23,087,896</b>	<b>21,870,281</b>
<b>Other Income</b>		
Service charges on deposit accounts .....	1,851,262	1,837,038
Trust department income .....	213,090	247,378
Debit card income .....	1,966,623	1,687,919
Mortgage banking .....	230,163	301,986
Security gains and losses .....	38,111	5,019
Other service charges, commissions and fees .....	1,117,005	1,012,405
<b>Total Other Income</b>	<b>5,416,254</b>	<b>5,091,745</b>
<b>Other Expenses</b>		
Salaries and employee benefits .....	10,257,896	10,100,625
Occupancy expense of premises, net .....	1,026,114	965,234
Furniture and equipment, data processing expense .....	2,237,695	2,019,169
Advertising and marketing expense .....	449,980	458,420
FDIC assessment .....	202,818	272,695
Other expenses .....	3,252,927	3,120,966
<b>Total Other Expenses</b>	<b>17,427,430</b>	<b>16,937,109</b>
<b>Income Before Income Taxes</b> .....	<b>11,076,720</b>	<b>10,024,917</b>
Provision for income taxes .....	3,556,938	2,535,638
<b>Net Income</b> .....	<b>\$7,519,782</b>	<b>\$7,489,279</b>
<b>Basic Earnings per Common Share</b> .....	<b>\$6.77</b>	<b>\$6.68</b>
(Based on 1,110,868 and 1,121,025 average shares outstanding in 2017 and 2016)		