

March 31, 2016

F S Bancorp Reports First Quarter 2016 Financial Results

We are pleased to report our earnings for the first quarter of 2016 grew 20% compared to the first quarter of 2015. These results were primarily driven by strong growth in net interest income and the overall management of operating expenses. Our 2015 branch consolidation project has contributed to our ability to manage overhead while still making important investments in the future growth of our Company. We continue to make substantial investments in advertising and technology. While the persistent low interest rate environment is creating challenges for the banking industry, we are excited to have a strong start to 2016.

We continue to see solid improvement in the strength of our balance sheet. During the past twelve months, we have achieved loan growth of 8%, deposit growth of 7%, and shareholder equity growth of 8%. 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 2016.

In December 2015, we announced a Share Repurchase Program in an amount not to exceed \$2,500,000. We continue to believe this program will contribute to shareholder value as shares of our stock have occasionally been available at an attractive price considering our earnings performance. During the first quarter of 2016, we were able to repurchase approximately 3,000 shares of our stock. In addition to these share repurchases, we have continued to pay a strong dividend. We are committed to producing solid financial results that will create long term value for our shareholders.

Gordon T. Anderson
President, PowerScreen Indiana, Inc.

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Chairman, F S BANCORP
Chairman, Farmers State Bank
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James M. Ingledue
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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

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

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

Honorary Directors
*Jerry O. Grogg
James W. Perkins
Miles S. Perkins
C. Lynn Tracey
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Report of Condition

FS Bancorp

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CONSOLIDATED BALANCE SHEETS

March 31, 2016 and 2015

	2016	2015
Assets		
Cash and due from banks	\$39,516,571	\$51,650,165
Investment securities	90,830,127	78,164,093
Federal Home Loan Bank Stock	1,723,000	2,195,400
Total loans	438,092,939	406,471,784
Less deferred loan fees	(13,234)	(21,730)
Less allowance for loan losses	(5,094,267)	(5,077,986)
Loans, net	432,985,438	401,372,068
Premises and equipment, net	8,514,370	8,010,702
CVS-Insurance	10,502,874	10,297,364
Goodwill and other intangible assets	3,068,046	3,268,771
Other assets	4,838,380	5,181,292
Total Assets	<u>\$591,978,806</u>	<u>\$560,139,855</u>
Liabilities		
Deposits		
Noninterest-bearing demand	\$161,245,908	\$142,902,995
Interest-bearing demand	144,606,867	130,245,125
Savings	113,391,588	109,250,113
Time under \$100,000	50,594,387	57,519,561
Time \$100,000 and over	36,422,314	33,550,941
Total Deposits	506,261,064	473,468,735
Repurchase Agreements	3,916,799	5,081,546
Federal Home Loan Bank Advances	16,859,124	20,823,680
Other liabilities	4,238,169	4,475,584
Total Liabilities	<u>531,275,156</u>	<u>503,849,545</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	3,724,051	3,784,528
Retained earnings	58,279,443	54,177,691
Net unrealized gains (losses) on securities	1,002,134	726,286
Less treasury stock, at cost	(2,450,850)	(2,547,067)
Total Shareholders' Equity	<u>60,703,650</u>	<u>56,290,310</u>
Total Liabilities and Shareholders' Equity	<u>591,978,806</u>	<u>560,139,855</u>

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2016 and 2015

	2016	2015
Interest Income		
Interest and fees on loans	\$5,231,624	\$4,823,527
Interest on investment securities	458,951	384,379
Other interest and dividend income	79,146	72,877
Total Interest Income	<u>5,769,721</u>	<u>5,280,783</u>
Interest Expense		
Interest on deposits	198,576	191,926
Interest on FHLB advances and other borrowings	115,539	169,810
Total Interest Expense	<u>314,115</u>	<u>361,736</u>
Net Interest Income	5,455,606	4,919,047
Provision for loan losses	90,000	30,000
Net Interest Income after Provision for Loan Losses	<u>5,365,606</u>	<u>4,889,047</u>
Other Income		
Service charges on deposit accounts	419,210	398,347
Trust Department Income	73,725	98,463
Financial Services	15,538	54,137
Mortgage banking	60,513	40,700
Security gains and losses	3,917	5,385
Other service charges, commissions and fees	626,273	566,083
Total Other Income	<u>1,199,176</u>	<u>1,163,115</u>
Other Expenses		
Salaries and employee benefits	2,445,476	2,412,030
Occupancy expense of premises, net	242,681	276,306
Furniture and equipment, data processing expense	487,186	424,054
FDIC Assessment	85,704	80,851
Other expenses	881,205	892,478
Total Other Expenses	<u>4,142,252</u>	<u>4,085,719</u>
Income Before Income Taxes	2,422,530	1,966,443
Provision for income taxes	599,388	450,960
Net Income	<u>\$1,823,142</u>	<u>\$1,515,483</u>
Basic Earnings per Common Share	<u>\$1.63</u>	<u>\$1.36</u>
(Based on 1,120,577 and 1,117,894 average shares outstanding in 2016 and 2015.)		