

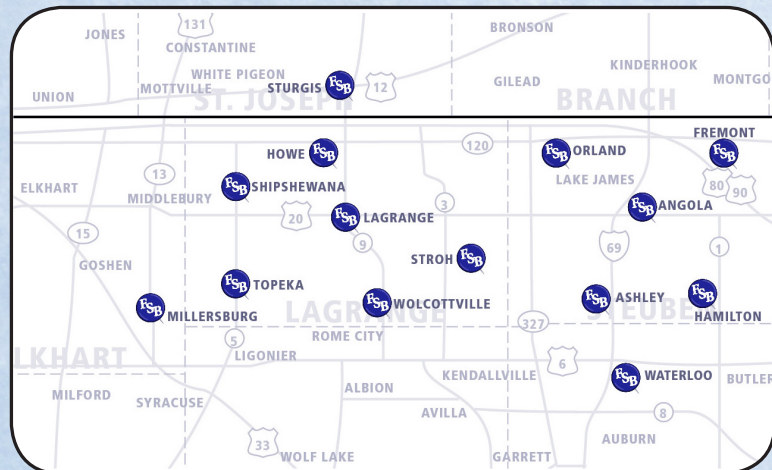
FS Bancorp Reports Record Annual Earnings for the Year Ended December 31, 2014

We are pleased to report our earnings for 2014 exceeded \$6.2 million compared to \$5.7 million for 2013. We are excited to produce results that were 9% greater than the record earnings reported for 2013. Earnings per share for 2014 totaled \$5.59 compared to \$5.14 during 2013. These truly exceptional results were driven by tremendous effort on the part of our entire bank family as the banking industry continued to feel the pressure of the low interest rate environment in 2014.

During 2014, the Bank achieved 8% loan growth ending our year with more than \$405 million in total loans. Additionally, we were able to fund this loan growth by generating additional core deposits of more than \$38 million during 2014. We were also able to generate an increase in shareholders' equity of more than \$5 million ending 2014 at \$55 million. We also continue to experience very solid asset quality in 2014 with very modest levels of net charge-offs and delinquency while still maintaining a very strong level of reserves for expected loan losses.

We are also glad to see improvement in the value of our stock. Our stock price at the beginning of 2014 was \$46.00, and that price increased to \$57.00 at the end of 2014. While we are pleased to see that improvement, the price continues to represent a real value compared to other Indiana banks as it represents slightly more than 10 times current year earnings. Additionally, our quarterly shareholder dividend remains very strong compared to dividends paid by other community banks.

While we are excited about the overall level of our financial results for 2014, we are proud they were achieved while maintaining sound banking practices. As we continue to focus on growing the Bank and producing strong financial results, we remain committed to the creation of exceptional shareholder value. As we enter 2015, we believe we have a strong balance sheet, strong core earnings, very solid asset quality and are well positioned for an eventual increase in the level of interest rates.



888.492.7111 / Telephone Banking 866.463.1110

FS Bancorp and Farmers State Bank

December 31, 2014

Report of Condition

FS Bancorp

Farmers State Bank

100 YEARS



Gordon T. Anderson
President, PowerScreen Indiana, Inc.

Roger A. Bird
Shareholder-Bird, Svendsen, Brothers & Scheske, P.C. Attorneys-at-Law

Frederic J. Brown
*Chairman, F S BANCORP
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*

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Report of Condition

CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013

	2014	2013
Assets		
Cash and due from banks	\$65,232,107	\$52,700,382
Investment securities	75,635,090	75,069,910
Federal Home Loan Bank Stock	2,195,400	2,470,400
Total loans	405,492,791	374,326,886
Less deferred loan fees	(23,134)	(28,134)
Less allowance for loan losses	(5,104,310)	(5,568,621)
Loans, net	400,365,347	368,730,131
Premises and equipment, net	8,095,054	8,167,814
CVS-Insurance	10,585,435	10,357,605
Goodwill and other intangible assets	3,322,696	3,568,446
Other assets	5,233,948	6,215,992
Total Assets	<u>\$570,665,077</u>	<u>\$527,280,680</u>
Liabilities		
Deposits		
Noninterest-bearing demand	\$137,363,922	\$129,963,710
Interest-bearing demand	155,900,678	117,567,030
Savings	101,498,844	97,269,524
Time under \$100,000	59,241,241	68,373,564
Time \$100,000 and over	33,011,718	35,982,765
Total Deposits	487,016,403	449,156,593
Repurchase Agreements	4,741,838	3,985,376
Federal Home Loan Bank Advances	20,797,886	20,694,709
Other liabilities	3,055,139	3,712,668
Total Liabilities	<u>515,611,266</u>	<u>477,549,346</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	3,773,404	3,755,058
Retained earnings	53,221,174	49,210,693
Net unrealized gains (losses) on securities	460,915	(811,360)
Less treasury stock, at cost	(2,550,554)	(2,571,929)
Total Shareholders' Equity	<u>55,053,811</u>	<u>49,731,334</u>
Total Liabilities and Shareholders' Equity	<u>\$570,665,077</u>	<u>527,280,680</u>

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2014 and 2013

	2014	2013
Interest Income		
Interest and fees on loans	\$18,782,342	\$18,346,329
Interest on investment securities	1,668,692	1,860,553
Other interest and dividend income	276,750	179,867
Total Interest Income	<u>20,727,784</u>	<u>20,386,749</u>
Interest Expense		
Interest on deposits	933,587	1,269,530
Interest on FHLB advances and other borrowings	687,717	692,106
Total Interest Expense	<u>1,621,304</u>	<u>1,961,636</u>
Net Interest Income	19,106,480	18,425,113
Provision for loan losses	-	140,000
Net Interest Income after Provision for Loan Losses	<u>19,106,480</u>	<u>18,285,113</u>
Other Income		
Service charges on deposit accounts	1,805,336	1,775,332
Trust Department Income	284,801	287,692
Financial Services	219,528	386,755
Mortgage banking	260,769	427,193
Security gains and losses	28,348	13,923
Other service charges, commissions and fees	2,232,019	2,009,403
Total Other Income	<u>4,830,801</u>	<u>4,900,298</u>
Other Expenses		
Salaries and employee benefits	9,496,187	9,751,139
Occupancy expense of premises, net	1,070,393	1,026,759
Furniture and equipment, data processing expense	1,597,220	1,459,584
Advertising and marketing expense	422,352	301,668
FDIC Assessment	317,227	297,703
Other expenses	2,980,312	2,839,182
Total Other Expenses	<u>15,883,691</u>	<u>15,676,035</u>
Income Before Income Taxes	8,053,590	7,509,376
Provision for income taxes	1,808,365	1,772,248
Net Income	<u>\$6,245,225</u>	<u>\$5,737,128</u>
Basic Earnings per Common Share	<u>\$5.14</u>	<u>\$5.14</u>
(Based on 1,117,354 and 1,117,219 average shares outstanding in 2014 and 2013.)		