

## F S Bancorp Reports September 30, 2016 Financial Results

We are pleased to report our earnings for the first nine months of 2016 grew 20% over the first nine months of 2015. Excluding the impact of branch consolidation expenses in the prior year, net income still grew 14%. These results were primarily driven by strong advances in net interest income and mortgage banking income, and our continued focus on improving efficiency. During the first nine months of 2016, we achieved a return on average equity of 12% and a return on average assets of 1.25%. These exceptional results have been driven by tremendous effort on the part of our entire team at Farmers State Bank and the continued support of our loyal customers and communities.

During the past twelve months, we have achieved loan growth of 8% while maintaining excellent asset quality evidenced by delinquencies and net charge-offs at historically low levels. Deposits and shareholders' equity have also grown by 4% and 9%, respectively. During the third quarter, the FDIC released annual bank deposit data as of June 30, 2016. We are pleased that Farmers State Bank held approximately 60% market share in LaGrange County and 35% market share in Steuben County, which are the largest of any bank in these two counties.

We continue to focus on the implementation of new technology to make sure we are delivering the products and services our customers want. Additionally, we continue to provide high quality branch locations for our customers to conduct business with us in person. We recently celebrated the groundbreaking of our building expansion project at the Sturgis Banking Center and expect that project to be completed in early 2017. All of these efforts are consistent with our focus on the long term success of our Company. We are looking forward to a positive finish for 2016.

## Farmers State Bank Names New CFO

Stacy Merrifield has been named Executive Vice President and Chief Financial Officer of Farmers State Bank. Stacy previously worked as a CPA with Crowe Horwath LLP and brings 12 years of public accounting experience to FSB. She is a Lakeland High School graduate and LaGrange County native. Merrifield earned a Bachelor of Science degree in Accounting from Purdue University. Stacy is on the Leadership Cabinet for the Indiana CPA Society and serves the Finance Committee for the Indiana Council for Economic Education.

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**Gordon T. Anderson**  
*President, PowerScreen Indiana, Inc.*

**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*

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

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

**Joseph Urbanski**  
*President, Farmers State Bank*

**Honorary Directors**  
*Jerry O. Grogg*  
*James W. Perkins*  
*Miles S. Perkins*  
*C. Lynn Tracey*  
*Frederic J. Brown*

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



# Report of Condition

FS Bancorp



# CONSOLIDATED BALANCE SHEETS

September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and due from banks .....	\$35,361,410	\$57,718,737
Federal funds sold .....	—	—
Investment securities .....	91,444,135	76,527,973
Federal Home Loan Bank stock .....	1,723,000	1,723,000
Total loans .....	447,896,653	415,770,536
Less deferred loan fees .....	(8,921)	(17,335)
Less allowance for loan losses .....	(5,081,257)	(5,199,220)
Loans, net .....	442,806,475	410,553,981
Premises and equipment, net .....	8,223,829	8,716,942
CSV-insurance .....	10,602,765	10,401,180
Goodwill and other intangible assets .....	2,978,166	3,160,921
Other assets .....	4,465,120	5,064,836
<b>Total Assets</b>	<b><u>\$597,604,900</u></b>	<b><u>\$573,867,570</u></b>
<b>Liabilities</b>		
Deposits		
Noninterest-bearing demand .....	\$152,755,197	\$148,197,137
Interest-bearing demand .....	164,021,840	145,664,979
Savings .....	111,504,820	112,314,583
Time under \$100,000 .....	48,674,913	53,829,560
Time \$100,000 and over .....	33,243,472	30,363,269
Total deposits .....	510,200,242	490,369,528
Repurchase agreements .....	3,979,267	5,147,779
Federal Home Loan Bank advances .....	16,866,227	16,875,269
Other liabilities .....	3,261,217	3,121,292
<b>Total Liabilities</b>	<b><u>534,306,953</u></b>	<b><u>515,513,868</u></b>
<b>Shareholders' Equity</b>		
Common stock: No par value, 5,000,000 shares authorized and 1,190,976 issued .....	148,872	148,872
Paid-in capital .....	3,756,119	3,771,892
Retained earnings .....	60,668,396	56,184,590
Net unrealized gains (losses) on securities .....	1,443,591	692,200
Less treasury stock, at cost .....	(2,719,031)	(2,443,852)
<b>Total Shareholders' Equity</b>	<b><u>\$63,297,947</u></b>	<b><u>\$58,353,702</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$597,604,900</u></b>	<b><u>\$573,867,570</u></b>

# CONSOLIDATED STATEMENTS OF INCOME

For the Nine Months Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Interest Income</b>		
Interest and fees on loans .....	\$15,745,791	\$14,789,743
Interest on investment securities .....	1,550,655	1,222,865
Other interest and dividend income .....	200,501	237,322
<b>Total Interest Income</b>	<b><u>17,496,947</u></b>	<b><u>16,249,930</u></b>
<b>Interest Expense</b>		
Interest on deposits .....	622,535	568,642
Interest on FHLB advances and other borrowings .....	308,645	433,152
<b>Total Interest Expense</b>	<b><u>931,180</u></b>	<b><u>1,001,794</u></b>
<b>Net Interest Income</b>		
Provision for loan losses .....	16,565,767	15,248,136
<b>Net Interest Income after Provision for Loan Losses</b>	<b><u>16,295,767</u></b>	<b><u>15,248,136</u></b>
<b>Other Income</b>		
Service charges on deposit accounts .....	1,359,683	1,340,100
Trust department income .....	187,928	206,983
Mortgage banking .....	222,058	139,713
Security gains and losses .....	4,047	37,906
Other service charges, commissions and fees .....	2,012,741	1,930,799
<b>Total Other Income</b>	<b><u>3,786,457</u></b>	<b><u>3,655,501</u></b>
<b>Other Expenses</b>		
Salaries and employee benefits .....	7,542,438	7,386,048
Occupancy expense of premises, net .....	706,771	814,502
Furniture and equipment, data processing expense .....	1,477,289	1,302,447
Advertising and marketing expense .....	349,125	418,254
FDIC assessment .....	222,808	237,201
Branch consolidation expenses .....	—	250,000
Other expenses .....	2,264,591	2,256,627
<b>Total Other Expenses</b>	<b><u>12,563,022</u></b>	<b><u>12,665,079</u></b>
<b>Income Before Income Taxes</b>		
Provision for income taxes .....	7,519,202	6,238,558
<b>Net Income</b>	<b><u>\$5,637,819</u></b>	<b><u>\$4,675,420</u></b>
<b>Basic Earnings per Common Share</b>		
	<u>\$5.03</u>	<u>\$4.18</u>
<small>(Based on 1,121,712 and 1,118,982 average shares outstanding in 2016 and 2015.)</small>		