

F S Bancorp Reports 2015 Annual Financial Results

We are excited to report our 2015 full year financial results. During the 3rd quarter, we announced the consolidation of three of our existing branches (Ashley, Orland and Waterloo). We completed this process in the 4th quarter, including the donation of two of the three branch buildings to the towns in which they are located. While this process has required significant attention during 2015, we continued to focus on the overall growth of our Company.

During 2015, we have invested substantial time implementing procedures that will allow us to purchase participation interests in mortgage warehouse lending facilities originated by another Indiana community bank. During the 4th quarter of 2015, we began purchasing participation loans in this line of business and such loans totaled approximately \$31 million on our balance sheet as of December 31, 2015. These loans contributed interest income of approximately \$131,000 during the quarter. We expect the level of loans outstanding from this relationship will vary significantly as mortgage origination volumes can change fairly substantially in short amounts of time.

The following are key financial results for the year ended December 31, 2015:

- Our net income for 2015 was \$6.1 million. Net income was negatively impacted by branch consolidation expenses totaling \$762,000 (approximately \$584,000 net of tax).
- Our net income and earnings per share are approximately 7% higher than those figures for 2014, excluding the impact of the branch consolidation expenses discussed above.
- Net interest income for 2015 increased \$1.5 million compared to 2014.
- Total assets ended the year 6% higher than total assets at December 31, 2014.
- Total loans ended the year 12% higher than total loans at December 31, 2014.
- Total deposits ended the year 7% higher than total deposits at December 31, 2014.
- Asset quality continues to be very solid with delinquent loans and net charge-offs at historically low levels.

We are very pleased to report these kinds of strong results at a time when we are continuing to make significant investments in technology, personnel and marketing. We are excited about what we have accomplished in 2015, and we are looking forward to successfully facing the challenges that 2016 will present.

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

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December 31, 2015

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FS Bancorp

Farmers State Bank

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CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014

	2015	2014
Assets		
Cash and due from banks	\$49,192,864	\$65,232,107
Investment securities	78,236,855	75,635,090
Federal Home Loan Bank Stock	1,723,000	2,195,400
Total loans	452,241,028	405,492,791
Less deferred loan fees	(15,518)	(23,134)
Less allowance for loan losses	(5,057,563)	(5,104,310)
Loans, net	447,167,947	400,365,347
Premises and equipment, net	8,649,611	8,095,054
CVS-Insurance	10,452,382	10,585,435
Goodwill and other intangible assets	3,112,986	3,322,696
Other assets	5,312,906	5,233,948
Total Assets	<u>\$603,848,551</u>	<u>\$570,665,077</u>
Liabilities		
Deposits		
Noninterest-bearing demand	\$160,048,040	\$137,363,922
Interest-bearing demand	168,122,067	155,900,678
Savings	110,581,274	101,498,844
Time under \$100,000	51,804,197	59,241,241
Time \$100,000 and over	30,551,249	33,011,718
Total Deposits	521,106,827	487,016,403
Repurchase Agreements	4,067,247	4,741,838
Federal Home Loan Bank Advances	16,901,063	20,797,886
Other liabilities	2,518,569	3,055,139
Total Liabilities	<u>544,593,706</u>	<u>515,611,266</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	3,780,252	3,773,404
Retained earnings	57,049,189	53,221,174
Net unrealized gains (losses) on securities	720,384	460,915
Less treasury stock, at cost	(2,443,852)	(2,550,554)
Total Shareholders' Equity	<u>59,254,845</u>	<u>55,053,811</u>
Total Liabilities and Shareholders' Equity	<u>\$603,848,551</u>	<u>\$570,665,077</u>

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2015 and 2014

	2015	2014
Interest Income		
Interest and fees on loans	\$19,958,640	\$18,782,342
Interest on investment securities	1,667,796	1,668,692
Other interest and dividend income	322,250	276,750
Total Interest Income	<u>21,948,686</u>	<u>20,727,784</u>
Interest Expense		
Interest on deposits	756,905	933,587
Interest on FHLB advances and other borrowings	557,118	687,717
Total Interest Expense	<u>1,314,023</u>	<u>1,621,304</u>
Net Interest Income	20,634,663	19,106,480
Provision for loan losses	100,000	-
Net Interest Income after Provision for Loan Losses	<u>20,534,663</u>	<u>19,106,480</u>
Other Income		
Service charges on deposit accounts	1,811,629	1,805,336
Trust Department Income	261,887	284,801
Financial Services	107,602	219,528
Mortgage banking	209,236	260,769
Security gains and losses	37,906	28,348
Other service charges, commissions and fees	2,445,036	2,232,019
Total Other Income	<u>4,873,296</u>	<u>4,830,801</u>
Other Expenses		
Salaries and employee benefits	9,808,195	9,496,187
Occupancy expense of premises, net	1,074,973	1,070,393
Furniture and equipment, data processing expense	1,787,184	1,597,220
Advertising and marketing expense	508,002	422,352
FDIC Assessment	316,151	317,227
Branch consolidation expenses	762,186	-
Other expenses	3,025,632	2,980,312
Total Other Expenses	<u>17,282,323</u>	<u>15,883,691</u>
Income Before Income Taxes	8,125,636	8,053,590
Provision for income taxes	1,991,545	1,808,365
Net Income	<u>\$6,134,091</u>	<u>\$6,245,225</u>
Basic Earnings per Common Share	<u>\$5.48</u>	<u>\$5.59</u>
(Based on 1,119,464 and 1,117,354 average shares outstanding in 2015 and 2014.)		