

March 31, 2017

## F S Bancorp Reports First Quarter 2017 Financial Results

We are pleased to report our earnings for the first quarter of 2017 grew by 6% compared to the first quarter of 2016. These results were primarily driven by strong growth in net interest income and the overall management of operating expenses. We were able to achieve growth in interest income despite the termination of our mortgage warehouse loan participation program with another community bank that earned us \$219,000 of interest income in the first quarter of 2016.

We continue to see solid improvement in the strength of our balance sheet. Excluding the impact of the Company exiting our mortgage warehouse lending participation arrangement, portfolio loans grew 8% during the past 12 months, deposits grew 5%, and shareholders' equity grew 6%. 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 2017. Our strong balance sheet was one of the factors that earned us another 5-star rating from Bauer Financial, ranking us one of the strongest financial institutions in the nation.

	Key Ratios	
	2017	2016
Return on average assests	1.23%	1.24%
Return on average equity	12.10%	12.09%
Net interest margin	3.96%	4.11%

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. In February, we celebrated the grand reopening of our Sturgis banking center following renovations at that location. All of these efforts are consistent with our focus on the long term success of our Company, the effort of our entire team at Farmers State Bank, and the continued support of our loyal customers and communities.

### Kerry Sprunger Joins the Board of Directors

Kerry Sprunger has been elected to the board of directors of Farmers State Bank and FS Bancorp. Kerry is the executive vice president and chief lending officer for Farmers State Bank and has nearly 40 years of banking experience. He joined the bank in 1996 and has served as chief lending officer since 2002. Sprunger graduated in 2006 from the Barret School of Banking in Memphis, Tennessee. Kerry currently serves as a board member and vice president of the LaGrange County Chamber of Commerce, board member and president of the LaGrange Convention and Visitors Tax Commission, member of the marketing committee for the LaGrange County Convention and Visitors Bureau, board member of the Parkview LaGrange Foundation, and he serves on the revolving loan committee of the LaGrange County Economic Development Corporation.

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**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)



# Report of Condition

FS Bancorp



**Farmers**  
**State Bank**



# CONSOLIDATED BALANCE SHEETS

March 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and due from banks .....	\$48,277,157	\$39,516,571
Investment securities .....	97,337,048	90,830,127
Federal Home Loan Bank stock .....	1,723,000	1,723,000
Total loans .....	457,318,384	438,092,939
Less deferred loan fees .....	(6,560)	(13,234)
Less allowance for loan losses .....	(5,174,876)	(5,094,267)
Loans, net .....	452,136,948	432,985,438
Premises and equipment, net .....	8,218,306	8,514,370
CSV-Insurance .....	13,231,645	10,502,874
Goodwill and other intangible assets .....	2,903,266	3,068,046
Other assets .....	5,123,296	4,838,380
<b>Total Assets</b>	<b><u>\$628,950,666</u></b>	<b><u>\$591,978,806</u></b>
<b>Liabilities</b>		
Deposits		
Noninterest-bearing demand .....	\$168,143,779	\$161,245,908
Interest-bearing demand .....	162,353,334	144,606,867
Savings .....	118,748,029	113,391,588
Time under \$100,000 .....	47,442,558	50,594,387
Time \$100,000 and over .....	33,907,919	36,422,314
Total deposits .....	530,595,619	506,261,064
Repurchase agreements .....	3,471,173	3,916,799
Federal Home Loan Bank advances .....	26,873,330	16,859,124
Other liabilities .....	3,455,630	4,238,169
<b>Total Liabilities</b>	<b><u>564,395,752</u></b>	<b><u>531,275,156</u></b>
<b>Shareholders' Equity</b>		
Common stock: No par value, 5,000,000 shares authorized; 1,190,976 shares issued; and 1,119,938 and 1,122,696 shares outstanding 2017 and 2016 .....	148,872	148,872
Paid-in capital .....	3,784,506	3,724,051
Retained earnings .....	63,245,758	58,279,443
Net unrealized gains (losses) on securities .....	55,052	1,002,134
Less treasury stock, at cost; 71,038 and 68,280 shares 2017 & 2016 .....	(2,679,274)	(2,450,850)
<b>Total Shareholders' Equity</b>	<b><u>64,554,914</u></b>	<b><u>60,703,650</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$628,950,666</u></b>	<b><u>\$591,978,806</u></b>

# CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2017 and 2016

	2017	2016
<b>Interest Income</b>		
Interest and fees on loans .....	\$5,343,521	\$5,231,624
Interest on investment securities .....	572,940	458,951
Other interest and dividend income .....	113,332	79,146
<b>Total Interest Income</b>	<b><u>6,029,793</u></b>	<b><u>5,769,721</u></b>
<b>Interest Expense</b>		
Interest on deposits .....	244,622	198,576
Interest on FHLB advances and other borrowings .....	125,860	115,539
<b>Total Interest Expense</b>	<b><u>370,482</u></b>	<b><u>314,115</u></b>
<b>Net Interest Income</b> .....	5,659,311	5,455,606
Provision for loan losses .....	67,000	90,000
<b>Net Interest Income after Provision for Loan Losses</b> .....	5,592,311	5,365,606
<b>Other Income</b>		
Service charges on deposit accounts .....	461,945	419,210
Trust department income .....	59,737	73,725
Financial services .....	15,111	15,538
Mortgage banking .....	34,541	60,513
Security gains and losses .....	38,111	3,917
Other service charges, commissions and fees .....	724,772	626,273
<b>Total Other Income</b>	<b><u>1,334,217</u></b>	<b><u>1,199,176</u></b>
<b>Other Expenses</b>		
Salaries and employee benefits .....	2,602,399	2,445,476
Occupancy expense of premises, net .....	250,590	242,681
Furniture and equipment, data processing expense .....	541,127	487,186
Advertising and marketing expense .....	101,867	136,335
FDIC assessment .....	50,250	85,704
Other expenses .....	776,891	744,870
<b>Total Other Expenses</b>	<b><u>4,323,124</u></b>	<b><u>4,142,252</u></b>
<b>Income Before Income Taxes</b> .....	2,603,404	2,422,530
Provision for income taxes .....	668,782	599,388
<b>Net Income</b> .....	<b><u>\$1,934,622</u></b>	<b><u>\$1,823,142</u></b>
<b>Basic Earnings per Common Share</b> .....	<b><u>\$1.73</u></b>	<b><u>\$1.63</u></b>
(Based on 1,119,302 and 1,120,577 average shares outstanding in 2017 and 2016.)		