

F S Bancorp Reports First Half 2016 Financial Results

We are pleased to report our earnings for the first half of 2016 grew 16% compared to the first half of 2015. We continue to produce strong growth in core earnings, and we also continue to focus on improving our efficiency. During the first half 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.

The trend of solid improvement in the strength of our balance sheet has continued, and the bank has been recognized as one of the strongest financial institutions in the country by Bauer Financial who awarded us their highest 5 Star rating. During the past twelve months, we have achieved loan growth of 7% while maintaining excellent asset quality with delinquencies and net charge-offs at historically low levels.

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 focus on having high quality branch locations for our customers to conduct business with us in person. Following the completion of our new branch in Topeka in 2015, we are now committed to a meaningful improvement and expansion of our Sturgis Banking Center. We are looking forward to completing that project in 2016. All of these efforts are consistent with our focus on the long term success of our Company.

Farmers State Bank Names Urbanski President

Joe Urbanski has been named president of Farmers State Bank effective June 30, 2016. Additionally, he has been designated successor to Joseph G. Pierce, Chief Executive Officer of Farmers State Bank, in preparation for Pierce's upcoming retirement in 2017. Urbanski joined Farmers State Bank in 2007 as the chief financial officer and was promoted in 2013 to Executive Vice President and Chief Financial Officer.

A graduate of Indiana University South Bend, Joe earned a bachelor's degree in accounting. After graduating from IUSB in 1998, Joe worked for Crowe Horwath as a CPA for 9 years prior to joining Farmers State Bank. Urbanski serves on the board of directors for both the LaGrange County Economic Development Corporation and the Regional Chamber of Northeast Indiana.

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FS Bancorp and Farmers State Bank

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 Shishewana 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*

Joe 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



June 30, 2016

Report of Condition

FS Bancorp



CONSOLIDATED BALANCE SHEETS

June 30, 2016 and 2015

	2016	2015
Assets		
Cash and due from banks	\$50,721,250	\$71,035,285
Federal funds sold	0	0
Investment securities	93,979,063	77,839,916
Federal Home Loan Bank Stock	1,723,000	1,723,000
Loans		
Total Loans	439,204,171	411,935,865
Less deferred loan fees	(10,208)	(19,436)
Less allowance for loan losses	(5,067,712)	(5,058,818)
Loans, net	434,126,251	406,857,611
Premises and equipment, net	8,447,117	8,461,404
CVS-Insurance	10,553,096	10,349,659
Goodwill and other intangible assets	3,023,106	3,214,846
Other assets	4,274,117	5,280,424
Total Assets	\$606,847,000	\$584,762,145
Liabilities		
Deposits		
Noninterest-bearing demand	\$154,702,162	\$143,351,396
Interest-bearing demand	166,157,620	160,498,331
Savings	113,880,450	113,192,855
Time under \$100,000	49,452,169	56,442,517
Time \$100,000 and over	36,100,302	30,196,445
Total Deposits	520,292,703	503,681,544
Repurchase Agreements	3,552,553	3,701,006
Federal Home Loan Bank Advances	16,862,675	16,849,475
Other liabilities	3,274,936	3,541,018
Total Liabilities	543,982,867	527,773,043
Shareholders' Equity		
Common stock: No par value, 5,000,000 shares authorized and 1,190,976 issued	148,872	148,872
Paid-in capital	3,740,587	3,761,893
Retained earnings	59,566,347	55,304,720
Net unrealized gains (losses) on securities	1,878,159	217,469
Less treasury stock, at cost	(2,469,832)	(2,443,852)
Total Shareholders' Equity	\$62,864,133	\$56,989,102
Total Liabilities and Shareholders' Equity	\$606,847,000	\$584,762,145

CONSOLIDATED STATEMENTS OF INCOME

For the Six Months Ended June 30, 2016 and 2015

	2016	2015
Interest Income		
Interest and fees on loans	\$10,438,120	\$9,814,008
Interest on investment securities	971,345	791,621
Other interest and dividend income	175,112	153,684
Total Interest Income	11,584,577	10,759,313
Interest Expense		
Interest on deposits	409,466	382,883
Interest on FHLB advances and other borrowings	212,007	308,012
Total Interest Expense	621,473	690,895
Net Interest Income	10,963,104	10,068,418
Provision for loan losses	180,000	60,000
Net Interest Income after Provision for Loan Losses	10,783,104	10,008,418
Other Income		
Service charges on deposit accounts	878,810	837,773
Trust Department Income	122,177	155,766
Financial Services	31,475	73,846
Mortgage banking	152,894	98,242
Security gains and losses	4,047	37,906
Other service charges, commissions and fees	1,287,265	1,191,459
Total Other Income	2,476,668	2,394,992
Other Expenses		
Salaries and employee benefits	4,948,697	4,804,430
Occupancy expense of premises, net	480,259	544,236
Furniture and equipment, data processing expense	982,243	879,254
Advertising and marketing expense	235,164	273,389
FDIC Assessment	166,862	158,309
Other expenses	1,518,894	1,555,202
Total Other Expenses	8,332,119	8,214,820
Income Before Income Taxes	4,927,653	4,188,590
Provision for income taxes	1,222,631	987,113
Net Income	\$3,705,022	\$3,201,477
Basic Earnings per Common Share	\$3.30	\$2.86
(Based on 1,121,539 and 1,118,011 average shares outstanding in 2016 and 2015.)		