

FS Bancorp Reports September 30, 2019 Financial Results

Key Ratios	2019	2018
	Return on average assets - YTD	1.68%
Return on average equity - YTD	16.93%	15.76%
Net interest margin - YTD	4.10%	3.98%

We are pleased to report record earnings for the first nine months of 2019. Net income grew by 20% compared to the first nine months of 2018. During the first nine months of 2019 our diluted earnings per share grew to \$4.36 compared to \$3.63 for the same period in the prior

year. Our earnings were driven by strong growth in net interest income resulting from the overall growth of our balance sheet and improvement in our net interest margin.

Portfolio loans grew 7% during the past twelve months, deposits grew 11%, and shareholders' equity grew 14%. Meaningful balance sheet growth has not compromised our conservative approach to sound banking. Loan delinquencies remain at historically low levels as we head into the last quarter of 2019, and we recognized net recoveries of \$174,000 during the first nine months of the year as a result of collection efforts on previously charged off loans.

Noninterest income for the first nine months of 2019 increased slightly compared to 2018. Debit card income has increased 17% primarily due to increased transaction volume as well as more favorable pricing from the payment networks we are now using. This increased income is partially offset by decreases in trust department income and a large gain on the sale of a foreclosed property during 2018.

Equipment expenses have also increased during 2019 primarily due to recent equipment purchases that include teller cash recyclers (TCRs). TCRs decrease the time it takes to process certain customer transactions and improve security at the branches.

We are also returning significant capital to our shareholders through our ongoing dividends and share repurchases. We paid a \$0.35 per share regular dividend and a \$0.25 per share special dividend in September. We will continue to focus on generating results that will lead to good returns for our shareholders. Thank you for your continued investment in our Company.

FS Bancorp and Farmers State Bank

Gordon T. Anderson
Owner, I&A Properties, LLC

Roger A. Bird
*Chairman, F S BANCORP
Chairman, Farmers State Bank
President, Bird, Scheske, Reed &
Beemer P.C., Attorneys-at-Law*

Jordi Disler
President, Parkview LaGrange Hospital

James M. Ingledue
Founder, Jim Ingledue Construction, Inc.

Winford Jones
President, Yoder's Shipshewana Hardware

Kevin Lambright
Partner, KC Squared Farms, LLC

Rodney Perkins
Co-owner, Perkins Twin Creek Farms, Stroh

Freeman D. Schlabach
President, Rock Run Industries

Kerry G. Sprunger
*Retired Executive Vice President
Farmers State Bank*

Joseph Urbanski
*President & CEO, F S BANCORP
President & CEO, Farmers State Bank*

Honorary Directors
*Frederic J. Brown
Jerry O. Grogg
Thomas L. Miller
James W. Perkins
Miles S. Perkins
Ruth R. Perry
Joseph G. Pierce
C. Lynn Tracey*

www.GoFSB.com



September 30, 2019

Report of Condition

FS Bancorp



Farmers State Bank

888.492.7111 / Telephone Banking 866.463.1110

Member
FDIC Find us on
Facebook
EQUAL HOUSING
LENDER

Report of Condition

CONSOLIDATED BALANCE SHEETS

September 30, 2019 and 2018 (Unaudited)

(Dollars in thousands)

	<u>2019</u>	<u>2018</u>
Assets		
Cash and due from banks	\$70,526	\$41,872
Investment securities.....	103,476	96,720
Federal Home Loan Bank stock	2,246	2,246
Total loans	585,567	544,715
Less deferred loan fees.....	(96)	(30)
Less allowance for loan losses.....	(6,013)	(5,717)
Loans, net.....	579,458	538,968
Premises and equipment, net.....	10,642	9,283
CSV-Insurance	13,995	13,692
Goodwill and other intangible assets.....	2,646	2,721
Other assets	5,310	5,858
Total Assets	<u>\$788,299</u>	<u>\$711,360</u>
Liabilities		
Deposits		
Noninterest-bearing demand.....	\$167,637	\$164,565
Interest-bearing demand	255,577	210,367
Savings.....	124,605	117,160
Time under \$100,000.....	50,354	48,356
Time \$100,000 and over.....	56,074	48,318
Total deposits.....	654,247	588,766
Repurchase agreements	5,249	4,676
Federal Home Loan Bank advances	43,409	43,395
Other liabilities	5,177	4,434
Total Liabilities	<u>708,082</u>	<u>641,271</u>
Shareholders' Equity		
Common stock: No par value, 5,000,000 shares authorized; 2,381,952 shares issued; and 2,190,300 and 2,193,207 shares outstanding 2019 and 2018	149	149
Paid-in capital.....	3,481	3,634
Retained earnings	79,870	72,322
Net unrealized gains (losses) on securities.....	2,315	(1,054)
Less treasury stock, at cost; 191,652 and 188,745 shares 2019 & 2018	(5,598)	(4,962)
Total Shareholders' Equity	<u>80,217</u>	<u>70,089</u>
Total Liabilities and Shareholders' Equity	<u>\$788,299</u>	<u>\$711,360</u>

CONSOLIDATED STATEMENTS OF INCOME

For the Three and Nine Months Ended September 30, 2019 and 2018 (Unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
(Dollars in thousands except earnings per share)				
Interest Income				
Interest and fees on loans.....	\$7,611	\$6,762	\$22,277	\$19,353
Interest on investment securities.....	702	707	2,062	1,908
Other interest and dividend income	365	128	975	509
Total Interest Income	<u>8,678</u>	<u>7,597</u>	<u>25,314</u>	<u>21,770</u>
Interest Expense				
Interest on deposits	1,073	660	3,008	1,741
Interest on FHLB advances and other borrowings.....	173	172	513	532
Total Interest Expense	<u>1,246</u>	<u>832</u>	<u>3,521</u>	<u>2,273</u>
Net Interest Income	<u>7,432</u>	<u>6,765</u>	<u>21,793</u>	<u>19,497</u>
Provision for loan losses	20	139	238	473
Net Interest Income after Provision for Loan Losses	<u>7,412</u>	<u>6,626</u>	<u>21,555</u>	<u>19,024</u>
Noninterest Income				
Service charges on deposit accounts	520	505	1,474	1,409
Debit card income	660	493	1,732	1,476
Mortgage banking.....	55	65	152	194
Gains and losses on securities.....	4	-	31	3
Other income	365	414	988	1,262
Total Noninterest Income	<u>1,604</u>	<u>1,477</u>	<u>4,377</u>	<u>4,344</u>
Noninterest Expenses				
Salaries and employee benefits	3,015	2,870	8,708	8,328
Occupancy expense of premises, net	251	253	773	751
Furniture and equipment, data processing expense	665	602	2,024	1,772
Advertising and marketing expense.....	132	127	358	341
Other expenses	843	855	2,607	2,608
Total Noninterest Expenses	<u>4,906</u>	<u>4,707</u>	<u>14,470</u>	<u>13,800</u>
Income Before Income Taxes	<u>4,110</u>	<u>3,396</u>	<u>11,462</u>	<u>9,568</u>
Provision for income taxes	661	527	1,812	1,504
Net Income	<u>\$3,449</u>	<u>\$2,869</u>	<u>\$9,650</u>	<u>\$8,064</u>
Basic Earnings per Common Share	<u>\$1.57</u>	<u>\$1.30</u>	<u>\$4.40</u>	<u>\$3.67</u>
Diluted Earnings per Common Share	<u>\$1.56</u>	<u>\$1.29</u>	<u>\$4.36</u>	<u>\$3.63</u>