

## FS Bancorp Reports December 31, 2019 Financial Results

We are happy to report our 2019 full year financial results. Our net income for 2019 increased 41% compared to 2018, and increased 17% excluding the \$1.9 million pension expense, net of taxes, required to settle our pension plan obligation in 2018. During 2019 our diluted earnings per share grew to \$5.98 compared to \$4.22 during 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.

During 2019, 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 2019, we began purchasing participation loans in this line of business, and such loans totaled approximately \$35 million on our balance sheet as of December 31, 2019. These loans contributed interest income of approximately \$133,000 during the quarter. We expect the level of loans outstanding from this relationship may vary significantly as mortgage origination volumes can change fairly substantially in short amounts of time.

Portfolio loans, excluding the mortgage warehouse loans, grew 7% during the past twelve months, deposits grew 10%, and shareholders' equity grew 16%. Meaningful balance sheet growth has not compromised our conservative approach to sound banking. Loan delinquencies remain at historically low levels, and we recognized net recoveries of \$279,000 during 2019 as a result of collection efforts on previously charged off loans.

Noninterest income for the year ended 2019 increased slightly compared to 2018. Debit card income has increased 19% 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 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 in December. We recently announced that the Board of Directors of FS Bancorp approved a new Stock Repurchase Program in an amount not to exceed \$5,000,000 with the program expiring December 31, 2021. 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.

Key Ratios	
	2019
Return on average assets - YTD	1.70%
Return on average equity - YTD	17.10%
Net interest margin - YTD	4.07%

## 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*

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



December 31, 2019

# Report of Condition

FS Bancorp



# Farmers State Bank

888.492.7111 / Telephone Banking 866.463.1110

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# CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018 (Unaudited)

(Dollars in thousands)

	2019	2018
<b>Assets</b>		
Cash and due from banks .....	\$75,502	\$76,335
Investment securities.....	102,712	98,503
Federal Home Loan Bank stock .....	2,246	2,246
Total loans .....	630,642	556,543
Less deferred loan fees.....	(111)	(44)
Less allowance for loan losses.....	(6,177)	(5,660)
Loans, net.....	624,354	550,839
Premises and equipment, net.....	11,083	10,242
CSV-Insurance .....	14,070	13,769
Goodwill and other intangible assets.....	2,634	2,700
Other assets .....	5,367	5,919
<b>Total Assets</b>	<b>\$837,968</b>	<b>\$760,553</b>
<b>Liabilities</b>		
Deposits		
Noninterest-bearing demand.....	\$169,635	\$167,732
Interest-bearing demand .....	322,734	275,754
Savings.....	97,680	99,582
Time under \$250,000.....	82,711	75,553
Time \$250,000 and over.....	30,363	19,259
Total deposits.....	703,123	637,880
Repurchase agreements .....	5,119	4,589
Federal Home Loan Bank advances .....	43,412	43,398
Other liabilities .....	3,634	3,325
<b>Total Liabilities</b>	<b>755,288</b>	<b>689,192</b>
<b>Shareholders' Equity</b>		
Common stock: No par value, 5,000,000 shares authorized; 2,381,952 shares issued; and 2,189,500 and 2,193,565 shares outstanding 2019 and 2018 .....	149	149
Paid-in capital.....	3,487	3,562
Retained earnings .....	82,673	72,937
Net unrealized gains (losses) on securities.....	2,045	(213)
Less treasury stock, at cost; 192,452 and 188,387 shares 2019 & 2018 .....	(5,674)	(5,074)
<b>Total Shareholders' Equity</b>	<b>82,680</b>	<b>71,361</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$837,968</b>	<b>\$760,553</b>

# CONSOLIDATED STATEMENTS OF INCOME

For the Three and Twelve Months Ended December 31, 2019 and 2018 (Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
(Dollars in thousands except earnings per share)				
<b>Interest Income</b>				
Interest and fees on loans.....	\$7,846	\$7,077	\$30,123	\$26,430
Interest on investment securities.....	681	545	2,709	2,419
Other interest and dividend income .....	290	347	1,299	890
<b>Total Interest Income</b>	<b>8,817</b>	<b>7,969</b>	<b>34,131</b>	<b>29,739</b>
<b>Interest Expense</b>				
Interest on deposits.....	1,085	772	4,093	2,513
Interest on FHLB advances and other borrowings.....	171	170	684	702
<b>Total Interest Expense</b>	<b>1,256</b>	<b>942</b>	<b>4,777</b>	<b>3,215</b>
<b>Net Interest Income</b>				
Provision for loan losses .....	7,561	7,027	29,354	26,524
	-	40	238	513
<b>Net Interest Income after Provision for Loan Losses</b>				
	7,561	6,987	29,116	26,011
<b>Noninterest Income</b>				
Service charges on deposit accounts .....	524	505	1,998	1,914
Debit card income .....	642	512	2,374	1,988
Mortgage banking.....	76	69	228	263
Gains and losses on securities.....	-	(32)	31	(29)
Other income .....	333	388	1,321	1,650
<b>Total Noninterest Income</b>	<b>1,575</b>	<b>1,442</b>	<b>5,952</b>	<b>5,786</b>
<b>Noninterest Expenses</b>				
Salaries and employee benefits .....	2,788	2,379	11,496	10,707
Pension expense.....	-	3,207	-	3,207
Occupancy expense of premises, net .....	296	241	1,069	992
Furniture and equipment, data processing expense .....	727	623	2,751	2,395
Advertising and marketing expense.....	147	142	505	483
Other expenses .....	893	911	3,500	3,519
<b>Total Noninterest Expenses</b>	<b>4,851</b>	<b>7,503</b>	<b>19,321</b>	<b>21,303</b>
<b>Income Before Income Taxes</b>				
Income tax expense (benefit) .....	4,285	926	15,747	10,494
	714	(393)	2,526	1,111
<b>Net Income</b>	<b>\$3,571</b>	<b>\$1,319</b>	<b>\$13,221</b>	<b>\$9,383</b>
<b>Basic Earnings per Common Share</b>				
	\$1.63	\$0.60	\$6.03	\$4.27
<b>Diluted Earnings per Common Share</b>				
	\$1.62	\$0.59	\$5.98	\$4.22