

## F S Bancorp Reports First Quarter 2020 Financial Results

A lot has changed in a very short period of time. Farmers State Bank has entered this challenging period caused by the COVID-19 Pandemic in a very strong position. We entered this economic environment with strong core earnings and a strong balance sheet. We know that it is going to continue to be a challenging period, but we are committed to being a source of strength in the communities we serve. A lot has been asked of our team in recent weeks, and our entire team is working incredibly hard to help our community.

During the first quarter of 2020, net income for the Company was \$3,172,000 compared to \$2,987,000 for the first quarter of 2019. We are pleased to report solid earnings for the quarter.

Going forward the Pandemic can impact our earnings in several ways. Our net interest income will likely be negatively impacted by the decline in interest rates that occurred in the first quarter as this decline in rates is expected to be sustained until our economy begins to recover. We also expect to incur additional operating expenses as we take measures to keep our customers and employees safe at this time. Finally, we expect that we may experience an increase in loan losses if the economy continues to be negatively impacted for an extended period of time; however, it is very difficult to predict the impact on our borrowers at this point in time. As of March 31, 2020, our asset quality indicators all remained very good. Through the first quarter of 2020 we had net recoveries of \$47,000 on previously charged-off loans.

We continue to build a very strong balance sheet. Our capital increased by 14% compared to the first quarter of 2019 and ended the quarter at \$84,599,000. We experienced a significant decline in our loan totals during the first quarter of 2020. A significant portion of this decline is related to mortgage warehouse loan participations we had purchased through another Indiana community bank. Such participation loans declined from \$35,000,000 on December 31, 2019 to \$11,498,000 on March 31, 2020. We also experienced a decrease in overall loan demand as businesses and consumers began adapting to current economic challenges caused by the Pandemic. We are working with borrowers that are requesting short term loan payment relief, and those requests have been very manageable so far. It is difficult to predict the extent of such requests going forward, but FSB is committed to helping our borrowers through this period.

Thank you for your continued investment in FS Bancorp and your support of our Farmers State Bank Team.

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**FS Bancorp** and  
**Farmers State Bank**

March 31, 2020

# Report of Condition

FS Bancorp



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State Bank**

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*Owner, I&A Properties, LLC*

**Roger A. Bird**  
*Chairman, F S Bancorp  
Chairman, Farmers State Bank  
President, Bird, Scheske, Reed &  
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**Jordi Disler**  
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Farmers State Bank*

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

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**Report of Condition**

# CONSOLIDATED BALANCE SHEETS

March 31, 2020 and 2019  
(Unaudited - dollars in thousands)

	2020	2019
<b>Assets</b>		
Cash and due from banks .....	\$86,807	\$63,212
Investment securities .....	103,338	100,890
Federal Home Loan Bank stock .....	2,246	2,246
Total loans .....	600,393	569,622
Less deferred loan fees .....	(114)	(62)
Less allowance for loan losses .....	(6,457)	(6,011)
Loans, net .....	593,822	563,549
Premises and equipment, net .....	10,992	10,651
CSV-Insurance .....	14,143	13,844
Goodwill and other intangible assets .....	2,625	2,682
Other assets .....	5,038	5,458
<b>Total Assets</b>	<b>\$819,011</b>	<b>\$762,532</b>
<b>Liabilities</b>		
Deposits		
Noninterest-bearing demand .....	\$175,219	\$167,710
Interest-bearing demand .....	261,484	241,191
Savings .....	117,200	123,144
Time under \$250,000 .....	93,415	78,307
Time \$250,000 and over .....	33,369	24,373
Total deposits .....	680,687	634,725
Repurchase agreements .....	5,683	4,324
Federal Home Loan Bank advances .....	43,416	43,402
Other liabilities .....	4,626	5,788
<b>Total Liabilities</b>	<b>734,412</b>	<b>688,239</b>
<b>Shareholders' Equity</b>		
Common stock: No par value, 5,000,000 shares authorized; 1,190,976 shares issued; and 2,178,428 and 2,193,575 shares outstanding 2020 and 2019 .....	149	149
Paid-in capital .....	3,442	3,495
Retained earnings .....	85,082	75,222
Net unrealized gains (losses) on securities .....	2,384	684
Less treasury stock, at cost; 203,524 and 188,377 shares 2020 & 2019 ..	(6,458)	(5,257)
<b>Total Shareholders' Equity</b>	<b>84,599</b>	<b>74,293</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$819,011</b>	<b>\$762,532</b>

# CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2020 and 2019  
(Unaudited - dollars in thousands except earnings per share)

	2020	2019
<b>Interest and Dividend Income</b>		
Interest and fees on loans .....	\$7,745	\$7,218
Interest on investment securities .....	674	652
Other interest and dividend income .....	264	290
<b>Total Interest and Dividend Income</b>	<b>8,683</b>	<b>8,160</b>
<b>Interest Expense</b>		
Interest on deposits .....	997	909
Interest on FHLB advances and other borrowings .....	170	168
<b>Total Interest Expense</b>	<b>1,167</b>	<b>1,077</b>
<b>Net Interest Income</b> .....	7,516	7,083
Provision for loan losses .....	250	110
<b>Net Interest Income after Provision for Loan Losses</b> .....	7,266	6,973
<b>Noninterest Income</b>		
Service charges on deposit accounts .....	443	461
Debit card income .....	606	505
Mortgage banking .....	53	39
Gains and losses on securities .....	-	23
Other income .....	333	306
<b>Total Noninterest Income</b>	<b>1,435</b>	<b>1,334</b>
<b>Noninterest Expenses</b>		
Salaries and employee benefits .....	2,855	2,832
Occupancy expense of premises, net .....	244	263
Furniture and equipment, data processing expense .....	750	682
Advertising and marketing expense .....	148	119
Other expenses .....	932	853
<b>Total Noninterest Expenses</b>	<b>4,929</b>	<b>4,796</b>
<b>Income Before Income Taxes</b> .....	3,772	3,511
Provision for income taxes .....	600	524
<b>Net Income</b>	<b>\$3,172</b>	<b>\$2,987</b>
<b>Basic Earnings per Common Share</b> .....	<b>\$1.45</b>	<b>\$1.36</b>
<b>Diluted Earnings per Common Share</b> .....	<b>\$1.44</b>	<b>\$1.34</b>