

FS Bancorp Reports December 31, 2020 Financial Results

FS Bancorp is pleased to report record earnings for the year ending December 31, 2020. Net income for the year ended December 31, 2020 was \$14.3 million compared to \$13.2 million for 2019. During the fourth quarter of 2020, net income for the Company was \$3,718,000 compared to \$3,571,000 for the fourth quarter of 2019. Excluding the impact of prepaying a Federal Home Loan Bank advance (\$347,000 net of tax benefit), net income was \$4,065,000 in the fourth quarter of 2020.

We remain focused on maintaining a very strong balance sheet. Our capital increased by 14% during the past twelve months. Deposits grew 22% over the last twelve months. Deposits increased from economic impact payments, funds from Paycheck Protection Plan (PPP) loans, increases in municipal deposits, and increased deposits from new and existing customers. Many financial institutions have experienced a surge in liquidity throughout the year, but it is uncertain how long that trend will continue.

Loans grew 10% over the last twelve months. Total loans at December 31, 2020 included \$21 million in Paycheck Protection Program loans and \$65 million in mortgage warehouse loan participations. Loan interest income for the fourth quarter of 2020 included \$535,000 of fee income on PPP loans and \$503,000 of interest income on mortgage warehouse loan participations. Loan interest income for the twelve month period ending December 31, 2020 included \$950,000 and \$1,256,000 of PPP fee income and mortgage warehouse interest income, respectively. It is unclear how long the mortgage warehouse revenue opportunity will continue, but we believe participation levels may be impacted if national mortgage loan refinance activity declines.

While we modified approximately 3.5% of total loans for borrowers impacted by the Pandemic during the year, our asset quality indicators remain very good. Most modifications involved deferring principal and/or interest payments for a short period of time and extending the maturity date of the loan. We are pleased 99.5% of the modified loans returned to their normal payment status at the end of the modified term. For the year ended December 31, 2020, we had net recoveries of \$106,000 on previously charged-off loans.

While 2020 has been a challenging year for many reasons, our team remained nimble and delivered another year of outstanding financial performance. As a result, our Company paid record dividends of \$3.7 million to shareholders during 2020. We also repurchased over 23,000 shares of FS Bancorp stock during 2020, and we repurchased over 15,000 shares of FS Bancorp stock in early January 2021. Based on our 2020 earnings per share, FS Bancorp stock has been trading below 8 times current earnings recently, and we believe this has made appropriate stock repurchases an attractive use of capital for the long term benefit of our shareholders.

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

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Owner, I&A Properties, LLC

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Kevin Lambright
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Co-owner, Perkins Twin Creek Farms, Stroh

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December 31, 2020

Report of Condition

FS Bancorp



Farmers State Bank



CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019 (Unaudited)

(Dollars in thousands)

	2020	2019
Assets		
Cash and due from banks	\$100,536	\$75,502
Investment securities	173,542	102,712
Federal Home Loan Bank stock	2,246	2,246
Total loans	691,078	630,642
Less deferred loan fees	(532)	(111)
Less allowance for loan losses	(6,631)	(6,177)
Loans, net	683,915	624,354
Premises and equipment, net	10,736	11,083
CSV-Insurance	14,361	14,070
Goodwill and other intangible assets	2,604	2,634
Other assets	5,566	5,367
Total Assets	\$993,506	\$837,968
Liabilities		
Deposits		
Noninterest-bearing demand	\$261,891	\$169,635
Interest-bearing demand	359,969	322,734
Savings	124,153	97,680
Time under \$250,000	87,540	82,711
Time \$250,000 and over	21,230	30,363
Total deposits	854,783	703,123
Repurchase agreements	8,012	5,119
Federal Home Loan Bank advances	31,427	43,412
Other liabilities	4,640	3,634
Total Liabilities	898,862	755,288
Shareholders' Equity		
Common stock: No par value, 5,000,000 shares authorized; 2,381,952 shares issued; and 2,173,534 and 2,189,500 shares outstanding 2020 and 2019	149	149
Paid-in capital	3,549	3,487
Retained earnings	93,302	82,673
Net unrealized gains (losses) on securities	4,399	2,045
Less treasury stock, at cost; 208,418 and 192,452 shares 2020 & 2019	(6,755)	(5,674)
Total Shareholders' Equity	94,644	82,680
Total Liabilities and Shareholders' Equity	\$993,506	\$837,968

CONSOLIDATED STATEMENTS OF INCOME

For the Three and Twelve Months Ended December 31, 2020 and 2019 (Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
(Dollars in thousands except earnings per share)				
Interest Income				
Interest and fees on loans	\$8,215	\$7,846	\$31,497	\$30,123
Interest on investment securities	858	681	3,088	2,709
Other interest and dividend income	66	290	476	1,299
Total Interest Income	9,139	8,817	35,061	34,131
Interest Expense				
Interest on deposits	438	1,085	2,554	4,093
Interest on FHLB advances and other borrowings	169	171	682	684
Total Interest Expense	607	1,256	3,236	4,777
Net Interest Income	8,532	7,561	31,825	29,354
Provision for loan losses	-	-	380	238
Net Interest Income after Provision for Loan Losses	8,532	7,561	31,445	29,116
Noninterest Income				
Service charges on deposit accounts	402	524	1,526	1,998
Debit card income	674	642	2,501	2,374
Mortgage banking	236	76	591	228
Gains (losses) on securities	18	-	18	31
Other income	338	333	1,354	1,321
Total Noninterest Income	1,668	1,575	5,990	5,952
Noninterest Expenses				
Salaries and employee benefits	3,253	2,788	11,795	11,496
Occupancy expense of premises, net	304	296	1,026	1,069
Furniture and equipment, data processing expense	736	727	2,899	2,751
Advertising and marketing expense	140	147	507	505
Other expenses	1,303	893	4,028	3,500
Total Noninterest Expenses	5,737	4,851	20,225	19,321
Income Before Income Taxes	4,463	4,285	17,180	15,747
Income tax expense	745	714	2,866	2,526
Net Income	\$3,718	\$3,571	\$14,314	\$13,221
Basic Earnings per Common Share	\$1.70	\$1.63	\$6.56	\$6.03
Diluted Earnings per Common Share	\$1.69	\$1.62	\$6.51	\$5.98