

FS Bancorp Reports First Quarter 2021 Financial Results

FS Bancorp is pleased to report that the first quarter of 2021 was the first quarter end our total assets exceeded \$1 billion. This is a significant milestone for the Bank. It took nearly 100 years for the Company to grow the first \$500 million in assets and 8 years to grow the second \$500 million in assets. It is the result of the hard work of the entire Farmers State Bank team.

Net income for the quarter ended March 31, 2021 was \$3.9 million compared to \$3.2 million for the first quarter of 2020. Net income before taxes included approximately \$250,000 of expenses related to the implementation of new core processing software. Expenses were primarily due to implementation fees from third party software providers and increased personnel costs due to the significant time committed to the project.

We remain focused on maintaining a strong balance sheet. Our capital increased by 13% during the past twelve months. Deposits grew 29% over the past 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 over the last year, but it is uncertain how long that trend will continue.

Loans grew 7% over the last twelve months. Total loans at March 31, 2021 included \$20 million in PPP loans, and \$25 million in mortgage warehouse loan participations, which was an increase from the \$11 million in mortgage warehouse loan participations at March 31, 2020. Loan interest income for the first quarter of 2021 included \$437,000 of fee income on PPP loans and \$458,000 of interest income on mortgage warehouse loan participations. Loan interest income for the first quarter of 2020 included \$241,000 of interest income on mortgage warehouse loan participations.

While we modified loans for borrowers impacted by the Pandemic over the last year, our asset quality indicators remain very strong. Loan delinquencies remain at low levels, and we recognized net recoveries of \$6,000 on previously charge-off loans during the first quarter of 2021.

After the challenging year we experienced in 2020 we are looking forward to some of the features in our new core processing software that we implemented in March of 2021. We expect to see improvements in our productivity as we begin utilizing all of its capabilities, and will be sharing more information on new features that we believe will improve the customer experience as they are rolled out over the next year. We appreciate your patience during the system conversion process and 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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Kevin Lambright
Partner, KC Squared Farms, LLC

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March 31, 2021

Report of Condition

FS Bancorp



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CONSOLIDATED BALANCE SHEETS

March 31, 2021 and 2020
(Unaudited - dollars in thousands)

| | 2021 | 2020 |
|--|---------------------------|-------------------------|
| Assets | | |
| Cash and due from banks | \$142,323 | \$86,807 |
| Investment securities..... | 205,752 | 103,338 |
| Federal Home Loan Bank stock | 2,246 | 2,246 |
| Total loans | 644,919 | 600,279 |
| Less allowance for loan losses..... | (6,687) | (6,457) |
| Loans, net..... | 638,232 | 593,822 |
| Premises and equipment, net..... | 10,658 | 10,992 |
| CSV-Insurance | 14,430 | 14,143 |
| Goodwill and other intangible assets..... | 2,604 | 2,625 |
| Other assets | 5,353 | 5,038 |
| Total Assets | <u>\$1,021,598</u> | <u>\$819,011</u> |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing demand..... | \$272,003 | \$175,219 |
| Interest-bearing demand | 345,411 | 261,484 |
| Savings..... | 160,203 | 117,200 |
| Time under \$250,000..... | 84,490 | 93,415 |
| Time \$250,000 and over..... | 19,245 | 33,369 |
| Total deposits..... | 881,355 | 680,687 |
| Repurchase agreements | 5,356 | 5,683 |
| Federal Home Loan Bank advances | 31,430 | 43,416 |
| Other liabilities | 8,142 | 4,626 |
| Total Liabilities | <u>926,283</u> | <u>734,412</u> |
| Shareholders' Equity | | |
| Common stock: No par value, 5,000,000 shares authorized; 1,190,976 shares issued; and 2,164,429 and 2,178,428 shares outstanding 2021 and 2020 | 149 | 149 |
| Paid-in capital..... | 3,692 | 3,442 |
| Retained earnings | 96,450 | 85,082 |
| Net unrealized gains (losses) on securities..... | 2,705 | 2,384 |
| Less treasury stock, at cost; 217,523 and 203,524 shares 2021 & 2020 | (7,681) | (6,458) |
| Total Shareholders' Equity | <u>95,315</u> | <u>84,599</u> |
| Total Liabilities and Shareholders' Equity | <u>\$1,021,598</u> | <u>\$819,011</u> |

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2021 and 2020
(Unaudited - dollars in thousands except earnings per share)

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| Interest and Dividend Income | | |
| Interest and fees on loans | \$7,882 | \$7,745 |
| Interest on investment securities | 875 | 674 |
| Other interest and dividend income..... | 60 | 264 |
| Total Interest and Dividend Income | <u>8,817</u> | <u>8,683</u> |
| Interest Expense | | |
| Interest on deposits | 297 | 997 |
| Interest on FHLB advances and other borrowings | 104 | 170 |
| Total Interest Expense | <u>401</u> | <u>1,167</u> |
| Net Interest Income | 8,416 | 7,516 |
| Provision for loan losses..... | 56 | 250 |
| Net Interest Income after Provision for Loan Losses | 8,360 | 7,266 |
| Noninterest Income | | |
| Service charges on deposit accounts..... | 355 | 462 |
| Credit and debit card income..... | 695 | 625 |
| Mortgage banking..... | 225 | 53 |
| Gains and losses on securities..... | 1 | - |
| Other income | 352 | 295 |
| Total Noninterest Income | <u>1,628</u> | <u>1,435</u> |
| Noninterest Expenses | | |
| Salaries and employee benefits | 3,216 | 2,855 |
| Occupancy expense of premises, furniture and equipment, net | 495 | 454 |
| Data processing expense | 522 | 478 |
| Advertising and marketing expense..... | 116 | 148 |
| Other expenses | 929 | 994 |
| Total Noninterest Expenses | <u>5,278</u> | <u>4,929</u> |
| Income Before Income Taxes | 4,710 | 3,772 |
| Provision for income taxes | 804 | 600 |
| Net Income | <u>\$3,906</u> | <u>\$3,172</u> |
| Basic Earnings per Common Share | <u>\$1.81</u> | <u>\$1.45</u> |
| Diluted Earnings per Common Share | <u>\$1.79</u> | <u>\$1.44</u> |