

FS Bancorp, Inc.
Form 10-Q
November 12, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015 OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 333-177125

FS BANCORP, INC.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of incorporation or organization)

45-4585178
(IRS Employer Identification No.)

6920 220th Street SW, Mountlake Terrace, Washington 98043
(Address of principal executive offices; Zip Code)

(425) 771-5299
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 4, 2015, there were 3,241,120 outstanding shares of the registrant's common stock.

Table of Contents

FS Bancorp, Inc.
Form 10-Q
Table of Contents

	Page Number	
PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Consolidated Balance Sheets at September 30, 2015 and December 31, 2014 (Unaudited)	2
	Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2015 and 2014 (Unaudited)	3
	Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2015 and 2014 (Unaudited)	4
	Consolidated Statements of Changes in Stockholders' Equity at September 30, 2015 and 2014 (Unaudited)	5
	Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2015 and 2014 (Unaudited)	6
	Notes to Consolidated Financial Statements	7 - 43
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	44 - 53
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	53
Item 4.	Controls and Procedures	53
PART II	OTHER INFORMATION	53
Item 1.	Legal Proceedings	53
Item 1A.	Risk Factors	54
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	54
Item 3.	Defaults Upon Senior Securities	54
Item 4.	Mine Safety Disclosures	54
Item 5.	Other Information	54
Item 6.	Exhibits	54 - 55

SIGNATURES

56

As used in this report, the terms "we," "our," and "us," and "Company" refer to FS Bancorp, Inc. and its consolidated subsidiary, unless the context indicates otherwise. When we refer to "Bank" in this report, we are referring to 1st Security Bank of Washington, the wholly owned subsidiary of FS Bancorp, Inc.

Table of Contents

Item 1. Financial Statements
 FS BANCORP, INC. AND SUBSIDIARY
 CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts) (Unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Cash and due from banks	\$ 1,272	\$ 10,499
Interest-bearing deposits at other financial institutions	4,160	5,056
Total cash and cash equivalents	5,432	15,555
Certificates of deposit at other financial institutions	11,181	4,543
Securities available-for-sale, at fair value	53,679	48,744
Loans held for sale, at fair value	53,335	25,983
Loans receivable, net	482,592	387,174
Accrued interest receivable	2,057	1,558
Premises and equipment, net	13,734	13,584
Federal Home Loan Bank ("FHLB") stock, at cost	2,972	1,650
Bank owned life insurance ("BOLI")	9,701	6,556
Servicing rights, held at the lower of cost or fair value	5,226	3,061
Other assets	2,071	1,346
TOTAL ASSETS	\$ 641,980	\$ 509,754
LIABILITIES		
Deposits		
Noninterest-bearing accounts	\$ 69,724	\$ 56,734
Interest-bearing accounts	430,159	363,710
Total deposits	499,883	420,444
Borrowings	59,269	17,034
Other liabilities	9,590	6,440
Total liabilities	568,742	443,918
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value; 5,000,000 shares authorized; None issued or outstanding	—	—
Common stock, \$.01 par value; 45,000,000 shares authorized; 3,241,120 and 3,235,625 shares issued and outstanding at September 30, 2015, and December 31, 2014, respectively	32	32
Additional paid-in capital	30,289	29,450
Retained earnings	44,373	38,125
Accumulated other comprehensive income, net of tax	234	117
Unearned shares - Employee Stock Ownership Plan ("ESOP")	(1,690	) (1,888
Total stockholders' equity	73,238	65,836
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 641,980	\$ 509,754

See accompanying notes to these consolidated financial statements.



Table of Contents

FS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except share amounts) (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
INTEREST INCOME				
Loans receivable including fees	\$7,730	\$6,339	\$22,042	\$17,013
Interest and dividends on investment securities, cash and cash equivalents, and certificates of deposit at other financial institutions	329	264	874	950
Total interest and dividend income	8,059	6,603	22,916	17,963
INTEREST EXPENSE				
Deposits	866	675	2,425	1,818
Borrowings	56	76	195	197
Total interest expense	922	751	2,620	2,015
NET INTEREST INCOME	7,137	5,852	20,296	15,948
PROVISION FOR LOAN LOSSES	600	450	1,800	1,350
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,537	5,402	18,496	14,598
NONINTEREST INCOME				
Service charges and fee income	528	458	1,452	1,301
Gain on sale of loans	3,632	1,789	11,565	5,092
(Loss) gain on sale of investment securities	—	(51)	76	(41)
Earnings on cash surrender value of BOLI	51	47	146	139
Other noninterest income	165	141	486	401
Total noninterest income	4,376	2,384	13,725	6,892
NONINTEREST EXPENSE				
Salaries and benefits	4,295	3,557	12,461	9,920
Operations	1,118	932	3,209	2,403
Occupancy	497	420	1,388	1,221
Data processing	380	331	1,132	918
Other real estate owned ("OREO") fair value impairments, net of loss on sales	—	11	—	42
OREO expense	—	10	—	13
Loan costs	379	316	1,129	1,012
Professional and board fees	479	317	1,268	919
FDIC insurance	69	62	229	188
Marketing and advertising	183	138	458	371
Acquisition costs	432	—	432	—
Recovery on servicing rights	—	(18)	—	(19)
Total noninterest expense	7,832	6,076	21,706	16,988
INCOME BEFORE PROVISION FOR INCOME TAXES	3,081	1,710	10,515	4,502
PROVISION FOR INCOME TAXES	1,086	564	3,656	1,495
NET INCOME	\$1,995	\$1,146	\$6,859	\$3,007

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Basic earnings per share	\$0.67	\$0.39	\$2.31	\$1.00
Diluted earnings per share	\$0.66	\$0.39	\$2.28	\$1.00

See accompanying notes to these consolidated financial statements.

Table of Contents

FS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	\$ 1,995	\$ 1,146	\$ 6,859	\$ 3,007
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities available-for-sale:				
Unrealized holding gain (loss) arising during period	391	(119	) 253	1,225
Income tax (provision) benefit related to unrealized holding gain (loss)	(133	) 40	(86	) (417
Reclassification adjustment for realized loss (gain) included in net income	—	51	(76	) 41
Income tax (benefit) provision related to reclassification for realized (loss) gain	—	(17	) 26	(14
Other comprehensive income (loss), net of tax	258	(45	) 117	835
COMPREHENSIVE INCOME	\$ 2,253	\$ 1,101	\$ 6,976	\$ 3,842

See accompanying notes to these consolidated financial statements.

Table of Contents

FS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except share amounts) (Unaudited)

Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated
Shares	Amount			Other Comprehensive (Loss) Income