

FS Bancorp, Inc.
Form 10-Q
November 09, 2018
Table of Contents

k

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, 2018 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: 001 35589

FS BANCORP, INC.

(Exact name of registrant as specified in its charter)

Washington 45 4585178
(State or other jurisdiction of incorporation or organization) (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)

Edgar Filing: FS Bancorp, Inc. - Form 10-Q

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, every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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 2, 2018, there were 3,736,960 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
<u>Item 1.</u>	<u>Financial Statements</u>
	<u>Consolidated Balance Sheets at September 30, 2018 and December 31, 2017 (Unaudited)</u>
	3
	<u>Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>
	4
	<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>
	5
	<u>Consolidated Statements of Changes in Stockholders' Equity for the Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>
	6
	<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>
	7 - 8
	<u>Notes to Consolidated Financial Statements</u>
	9 - 42
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	43 - 55
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	55
<u>Item 4.</u>	<u>Controls and Procedures</u>
	55
PART II	OTHER INFORMATION
	56
<u>Item 1.</u>	<u>Legal Proceedings</u>
	56
<u>Item 1A.</u>	<u>Risk Factors</u>
	56
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	56
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>
	56
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>
	56
<u>Item 5.</u>	<u>Other Information</u>
	56

<u>Item 6.</u>	<u>Exhibits</u>	57 - 58
<u>SIGNATURES</u>		59

As used in this report, the terms “we,” “our,” “us,” “Company” and “FS Bancorp” refer to FS Bancorp, Inc. and its consolidated subsidiary, 1st Security Bank of Washington, 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.

Table of Contents

Item 1. Financial Statements

FS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

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

	September 30, 2018	December 31, 2017
ASSETS		
Cash and due from banks	\$ 4,389	\$ 3,043
Interest-bearing deposits at other financial institutions	10,813	15,872
Total cash and cash equivalents	15,202	18,915
Certificates of deposit at other financial institutions	17,362	18,108
Securities available-for-sale, at fair value	97,374	82,480
Loans held for sale, at fair value	54,784	53,463
Loans receivable, net	947,572	761,558
Accrued interest receivable	4,453	3,566
Premises and equipment, net	16,527	15,458
Federal Home Loan Bank ("FHLB") stock, at cost	7,131	2,871
Deferred tax asset, net	120	—
Bank owned life insurance ("BOLI"), net	13,586	10,328
Servicing rights, held at the lower of cost or fair value	9,190	6,795
Goodwill	2,312	2,312
Core deposit intangible, net	1,087	1,317
Other assets	4,631	4,612
TOTAL ASSETS	\$ 1,191,331	\$ 981,783
LIABILITIES		
Deposits:		
Noninterest-bearing accounts	\$ 190,237	\$ 186,890
Interest-bearing accounts	754,300	642,952
Total deposits	944,537	829,842
Borrowings	86,526	7,529
Subordinated note:		
Principal amount	10,000	10,000
Unamortized debt issuance costs	(140)	(155)
Total subordinated note less unamortized debt issuance costs	9,860	9,845
Deferred tax liability, net	—	607
Other liabilities	17,279	11,958
Total liabilities	1,058,202	859,781
COMMITMENTS AND CONTINGENCIES (NOTE 7)		
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; 3,716,460 and 3,680,152 shares issued and outstanding at September 30, 2018 and	37	37

Edgar Filing: FS Bancorp, Inc. - Form 10-Q

December 31, 2017, respectively

Additional paid-in capital	57,027	55,135
Retained earnings	79,648	68,422
Accumulated other comprehensive loss, net of tax	(2,664)	(475)
Unearned shares – Employee Stock Ownership Plan (“ESOP”)	(919)	(1,117)
Total stockholders’ equity	133,129	122,002
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	\$ 1,191,331	\$ 981,783

See accompanying notes to these consolidated financial statements.

3

Table of Contents

FS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
INTEREST INCOME				
Loans receivable, including fees	\$ 14,624	\$ 11,715	\$ 40,015	\$ 31,488
Interest and dividends on investment securities, cash and cash equivalents, and certificates of deposit at other financial institutions	959	637	2,578	2,034
Total interest and dividend income	15,583	12,352	42,593	33,522
INTEREST EXPENSE				
Deposits	1,850	1,045	4,525	2,793
Borrowings	704	114	1,280	259
Subordinated note	171	171	508	508
Total interest expense	2,725	1,330	6,313	3,560
NET INTEREST INCOME	12,858	11,022	36,280	29,962
PROVISION FOR LOAN LOSSES	450	450	1,250	450
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	12,408	10,572	35,030	29,512
NONINTEREST INCOME				
Service charges and fee income	716	879	2,045	2,743
Gain on sale of loans	3,818	5,025	12,467	13,840
Gain on sale of investment securities	—	143	113	380
Gain on sale of mortgage servicing rights (“MSR”)	—	38	—	996
Earnings on cash surrender value of BOLI	88	68	258	208
Other noninterest income	180	274	557	637
Total noninterest income	4,802	6,427	15,440	18,804
NONINTEREST EXPENSE				
Salaries and benefits	7,039	7,140	21,759	20,174
Operations	1,308	1,577	4,209	4,506
Occupancy	744	650	2,097	1,939
Data processing	625	651	1,944	1,811
Loan costs	850	726	2,183	1,977
Professional and board fees	414	378	1,321	1,261
Federal Deposit Insurance Corporation (“FDIC”) insurance	137	175	268	428
Marketing and advertising	201	192	564	512
Acquisition costs	443	—	443	—
Amortization of core deposit intangible	77	100	230	300
Impairment on servicing rights	—	—	—	1
Total noninterest expense	11,838	11,589	35,018	32,909
INCOME BEFORE PROVISION FOR INCOME TAXES	5,372	5,410	15,452	15,407
PROVISION FOR INCOME TAXES	1,320	1,956	2,822	5,001
NET INCOME	\$ 4,052	\$ 3,454	\$ 12,630	\$ 10,406

Edgar Filing: FS Bancorp, Inc. - Form 10-Q

Basic earnings per share	\$ 1.12	\$ 1.13	\$ 3.52	\$ 3.53
Diluted earnings per share	\$ 1.07	\$ 1.07	\$ 3.35	\$ 3.31

See accompanying notes to these consolidated financial statements.

4

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,	
	2018	2017	2018	2017
Net Income	\$ 4,052	\$ 3,454	\$ 12,630	\$ 10,406
Other comprehensive (loss) income, before tax:				
Securities available-for-sale:				
Unrealized holding (loss) gain during period	(684)	80	(2,675)	1,012
Income tax benefit (provision) related to unrealized holding (loss) gain	147	(28)	575	(357)
Reclassification adjustment for realized gain included in net income	—	(143)	(113)	(380)
Income tax provision related to reclassification for realized gain	—	50	24	133
Other comprehensive (loss) income, net of tax	(537)	(41)	(2,189)	408
COMPREHENSIVE INCOME	\$ 3,515	\$ 3,413	\$ 10,441	\$ 10,814

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 Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Tax	Unearned ESOP Shares	Total Stockholders' Equity
BALANCE, January 1, 2017	3,059,503	\$ 31	\$ 27,334	\$ 55,584	\$ (536)	\$ (1,380)	\$ 81,033
Net income	—	\$ —	—	10,406	—	—	\$ 10,406
Dividends paid (\$0.31 average per share)	—	\$ —	—	(941)	—	—	\$ (941)
Proceeds from public offering, net of expenses	587,234	\$ 6	25,612	—	—	—	\$ 25,618
Share-based compensation	—	\$ —	496	—	—	—	\$ 496
Common stock repurchased	(6,198)	\$ —	(275)	—	—	—	\$ (275)
Stock options exercised	34,363	\$ —	580	—	—	—	\$ 580
Other comprehensive income, net of tax	—	\$ —	—	—	408	—	\$ 408
ESOP shares allocated	—	\$ —	716	—	—	198	\$ 914
BALANCE, September 30, 2017	3,674,902	\$ 37	\$ 54,463	\$ 65,049	\$ (128)	\$ (1,182)	\$ 118,239
BALANCE, January 1, 2018	3,680,152	\$ 37	\$ 55,135	\$ 68,422	\$ (475)	\$ (1,117)	\$ 122,002
Net income	—	\$ —	—	12,630	—	—	\$ 12,630
Dividends paid (\$0.38 average per share)	—	\$ —	—	(1,404)	—	—	\$ (1,404)
Share-based compensation	—	\$ —	492	—	—	—	\$ 492
Common stock repurchased	(4,325)	\$ —	(250)	—	—	—	\$ (250)
Stock options exercised	40,633	\$ —	686	—	—	—	\$ 686
Other comprehensive loss, net of tax	—	\$ —	—	—	(2,189)	—	\$ (2,189)

Edgar Filing: FS Bancorp, Inc. - Form 10-Q

ESOP shares allocated	—	\$ —	964	—	—	198	\$ 1,162
BALANCE, September 30, 2018	3,716,460	\$ 37	\$ 57,027	\$ 79,648	\$ (2,664)	\$ (919)	\$ 133,129

See accompanying notes to these consolidated financial statements.

Table of Contents

FS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 12,630	\$ 10,406
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	1,250	450
Depreciation, amortization and accretion	4,535	2,577
Compensation expense related to stock options and restricted stock awards	492	496
ESOP compensation expense for allocated shares	1,162	914
Increase in cash surrender value of BOLI	(258)	(208)
Gain on sale of loans held for sale	(12,275)	(13,840)
Gain on sale of portfolio loans	(192)	—
Gain on sale of investment securities	(113)	(380)
Gain on sale of MSR	—	(996)
Origination of loans held for sale	(485,490)	(520,358)
Proceeds from sale of loans held for sale	492,336	520,091
Impairment of servicing rights	—	1
Changes in operating assets and liabilities		
Accrued interest receivable	(853)	(693)
Other assets	(139)	(79)
Other liabilities	5,314	2,668
Net cash from operating activities	18,399	1,049
CASH FLOWS USED BY INVESTING ACTIVITIES		
Activity in securities available-for-sale:		
Proceeds from sale of investment securities	5,305	39,103
Maturities, prepayments, sales, and calls	6,942	6,531
Purchases	(30,197)	(41,320)
Maturities of certificates of deposit at other financial institutions	744	1,240
Purchase of certificates of deposit at other financial institutions	—	(4,102)
Loan originations and principal collections, net	(176,433)	(129,763)
Purchase of portfolio loans	(22,532)	(32,342)
Proceeds from sale of portfolio loans	10,950	—
Purchase of premises and equipment, net	(2,355)	(623)
Purchase of BOLI	(3,000)	—
FHLB stock, net	(4,260)	(328)
Proceeds from sale of MSR	—	4,827
Net cash used by investing activities	(214,836)	(156,777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	114,695	127,985

Edgar Filing: FS Bancorp, Inc. - Form 10-Q

Proceeds from borrowings	739,740	348,260
Repayments of borrowings	(660,743)	(350,660)
Dividends paid	(1,404)	(941)
Proceeds from stock options exercised	686	580
Common stock repurchased	(250)	(275)
Proceeds from issuance of common stock	—	25,618
Net cash from financing activities	192,724	150,567
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,713)	(5,161)
CASH AND CASH EQUIVALENTS, beginning of period	18,915	36,456
CASH AND CASH EQUIVALENTS, end of period	\$ 15,202	\$ 31,295

7

Table of Contents

FS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In thousands) (Unaudited)

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:

Interest on deposits and borrowings	\$ 6,021	\$ 3,528
Income taxes	\$ 1,800	\$ 5,800

SUPPLEMENTARY DISCLOSURES OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES

Change in unrealized (loss) gain on investment securities, net	\$ (2,789)	\$ 631
Transfer portfolio loans to loans held for sale	\$ —	\$ 1,886
Retention of gross mortgage servicing rights from loan sales	\$ 3,970	\$ 3,569

See accompanying notes to these consolidated financial statements

Table of Contents

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - FS Bancorp, Inc. (the “Company”) was incorporated in September 2011 as the holding company for 1st Security Bank of Washington (the “Bank” or “1st Security Bank”) in connection with the Bank’s conversion from the mutual to stock form of ownership which was completed on July 9, 2012. The Bank is a community-based savings bank with 12 branches, one administrative office that accepts deposits, and seven loan production offices in suburban communities in the greater Puget Sound area within Snohomish, King, Pierce, Jefferson, Kitsap, and Clallam counties, and one loan production office in the market area of the Tri-Cities, Washington. The Bank provides loan and deposit services to customers who are predominantly small- and middle-market businesses and individuals. The Company and its subsidiary are subject to regulation by certain federal and state agencies and undergo periodic examination by these regulatory agencies.

Pursuant to the Plan of Conversion (the “Plan”), the Company’s Board of Directors adopted an employee stock ownership plan (“ESOP”) which purchased 8% of the common stock in the open market or 259,210 shares. As provided for in the Plan, the Bank also established a liquidation account in the amount of retained earnings at December 31, 2011. The liquidation account is maintained for the benefit of eligible savings account holders at June 30, 2007, and supplemental eligible account holders as of March 31, 2012, who maintain deposit accounts at the Bank after the conversion. The conversion was accounted for as a change in corporate form with the historic basis of the Company’s assets, liabilities, and equity unchanged as a result.

Financial Statement Presentation - The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and in accordance with the instructions to Form 10 Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission (“SEC”). It is recommended that these unaudited interim consolidated financial statements be read in conjunction with the Company’s Annual Report on Form 10 K with all of the audited information and footnotes required by U.S. GAAP for complete financial statements for the year ended December 31, 2017, as filed with the SEC on March 16, 2018. In the opinion of management, all normal adjustments and recurring accruals considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included.

The results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018, or any other future period. The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan and lease losses, fair value of financial instruments, the valuation of servicing rights, and the deferred income taxes.

Amounts presented in the consolidated financial statements and footnote tables are rounded and presented in thousands of dollars except per share amounts. In the narrative footnote discussion, amounts are rounded and presented in millions of dollars to one decimal point if the amounts are above \$1.0 million. Amounts below \$1.0 million are rounded and presented in dollars to the nearest thousands. Certain prior year amounts have been reclassified to conform to the 2018 presentation with no change to consolidated net income or stockholders’ equity previously reported.

Principles of Consolidation - The consolidated financial statements include the accounts of FS Bancorp, Inc. and its wholly owned subsidiary, 1st Security Bank of Washington. All material intercompany accounts have been eliminated in consolidation.

Segment Reporting - The Company operates in two business segments through the Bank: commercial and consumer banking and home lending. The Company's business segments are determined based on the products and services provided, as well as the nature of the related business activities, and they reflect the manner in which financial information is regularly reviewed for the purpose of allocating resources and evaluating performance of the Company's businesses. The results for these business segments are based on management's accounting process, which assigns income statement items and assets to each responsible operating segment. This process is dynamic and is based on management's view of the Company's operations. See "Note 13 - Business Segments".

Table of Contents

Subsequent Events – The Company has evaluated events and transactions subsequent to September 30, 2018 for potential recognition or disclosure.

On July 17, 2018, FS Bancorp, Inc. announced the signing of a definitive merger agreement whereby the Company will acquire Anchor Bancorp (“Anchor”) in a stock and cash transaction valued at approximately \$73.3 million. The transaction is subject to customary closing conditions, including the receipt of regulatory approvals and approval of the agreement by the shareholders of Anchor. See “Note 16 - Proposed Merger”.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, Leases (Topic 842). ASU No. 2016-02 requires lessees to recognize on the balance sheet the assets and liabilities arising from operating leases. A lessee should recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. A lessee should include payments to be made in an optional period only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. For a finance lease, interest payments should be recognized separately from amortization of the right-of-use asset in the statement of comprehensive income. For operating leases, the lease cost should be allocated over the lease term on a generally straight-line basis. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in the ASU is permitted. In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases and ASU No. 2018-11, Leases (Topic 842): Targeted Improvements. These ASUs contain clarifications to ASU 2016-02, including providing a new transition method in addition to the existing transition method contained in ASU No. 2016-02 to allow entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. These amendments have the same effective date as ASU 2016-02. The effect of the adoption of these ASUs will depend on leases at time of adoption. Once adopted, we expect to report higher assets and liabilities as a result of including right-of-use assets and lease liabilities related to certain banking offices and certain equipment under noncancelable operating lease agreements. As of December 31, 2017, we would have reported an increase of approximately \$4.7 million in both assets and liabilities in the Consolidated Balance Sheets based on management’s estimate assuming the early adoption of this ASU.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The ASU requires the measurement of all current expected credit losses (“CECL”) for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of CECL. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact of this ASU on the Company’s consolidated financial statements. Once adopted, we anticipate our allowance for loan losses to increase through a one-time adjustment to retained earnings,

however, until our evaluation is complete the magnitude of the increase will be unknown.

In March 2017, the FASB issued ASU No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The ASU shortens the amortization period for certain callable debt securities held at a premium. The ASU will take effect for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The adoption of ASU No. 2017-08 is not expected to have a material impact on the Company's consolidated financial statements.

Table of Contents

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. This ASU amends the hedge accounting recognition and presentation requirements in ASC 815 to (1) improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities and (2) reduce the complexity of and simplify the application of hedge accounting by preparers. The amendments in this ASU permit hedge accounting for hedging relationships involving nonfinancial risk and interest rate risk by removing certain limitations in cash flow and fair value hedging relationships. In addition, the ASU requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018 and early adoption is permitted. The adoption of ASU No. 2017-12 is not expected to have a material impact on the Company's consolidated financial statements.

In March 2018, the FASB issued ASU No. 2018-05, Income Taxes (Topic 740). This ASU was issued to provide guidance on the income tax accounting implications of the Tax Cuts and Jobs Act ("Tax Act") and allows for entities to report provisional amounts for specific income tax effects of the Tax Act for which the accounting under Topic 740 was not yet complete but a reasonable estimate could be determined. A measurement period of one year is allowed to complete the accounting effects under Topic 740 and revise any previous estimates reported. Any provisional amounts or subsequent adjustments included in an entity's financial statements during the measurement period should be included in income from continuing operations as an adjustment to tax expense in the reporting period the amounts are determined. The Company adopted this ASU with the provisional adjustments as reported in the Consolidated Financial Statements on Form 10-K as of December 31, 2017. As of September 30, 2018, the Company did not incur any adjustments to the provisional recognition.

In June 2018, the FASB issued ASU No. 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. This ASU was issued to expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Previously, these awards were recorded at the fair value of consideration received or the fair value of the equity instruments issued and was measured as the earlier of the commitment date or date performance was completed. The amendments in this ASU require the awards to be measured at the grant-date fair value of the equity instrument. ASU No. 2018-07 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, but no earlier than an entity's adoption of Topic 606. The adoption of ASU No. 2018-07 is not expected to have a material impact on the Company's future consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. This ASU contains some technical adjustments related to the fair value disclosure requirements of public companies. Included in this ASU is the additional disclosure requirement of unrealized gains and losses for the period in recurring level 3 fair value disclosures and the range and weighted average of significant unobservable inputs, among other technical changes. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The adoption of ASU 2018-13 is not expected to have a material impact on the Company's consolidated financial statements.

In August 2018, FASB issued Accounting Standards Update (ASU) 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The amendments in this ASU broaden the scope of ASC Subtopic 350-40 to include costs incurred to implement a hosting arrangement that is a service contract. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The

costs are capitalized or expensed depending on the nature of the costs and the project stage during which they are incurred, consistent with the accounting for costs for internal-use software. The amendments in this ASU result in consistent capitalization of implementation costs of a hosting arrangement that is a service contract and implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this ASU. This ASU is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The

Table of Contents

amendments in this ASU should be applied either retrospectively to all implementation costs incurred after the date of adoption. Adoption of ASU 2018-15 is not expected to have a material impact on the Company's Consolidated Financial Statements.

Application of New Accounting Guidance Adopted in 2018

On January 1, 2018, the Company adopted FASB issued ASU No. 2014-09, Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively "ASC 606"), which created Topic 606 and superseded Topic 605, Revenue Recognition. In August 2015, FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606), which postponed the effective date of ASU No. 2014-09. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In general, the new guidance requires companies to use more judgment and make more estimates than under past guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. For financial reporting purposes, the Company utilized the modified retrospective approach, meaning the ASU is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the standard recognized at the date of initial application. As a bank holding company, key revenue sources, such as interest income on loans, investment securities and deposits, as well as other sources of income including loan fees, security sales, and derivatives have been identified as out of the scope of this new guidance. Management conducted an assessment of the revenue streams that were affected by the new guidance and identified those considered material and in scope to ensure compliance with the new guidance concluding those related to credit and debit card fees, and service charges and fees on deposit accounts. No additional changes to processes or procedures were identified for the recognition of revenues in scope. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements. However, additional disclosures required by the ASU have been included in "Note 15 - Revenue from Contracts with Customers" to the Company's consolidated financial statements.

On January 1, 2018, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The new guidance improves the recognition and measurement of financial instruments. This ASU requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes and requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. Exit price is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This ASU also eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The adoption of ASU No. 2016-01 did not have a material impact on the Company's consolidated financial statements. The disclosures to the Company's consolidated financial statements have been updated appropriately using the exit price notion in "Note 8 - Fair Value of Financial Instruments".

Table of Contents

NOTE 2 - SECURITIES AVAILABLE-FOR-SALE

The following tables present the amortized costs, unrealized gains, unrealized losses, and estimated fair values of securities available-for-sale at September 30, 2018 and December 31, 2017:

	September 30, 2018			Estimated Fair Values
	Amortized Cost	Unrealized Gains	Unrealized Losses	
SECURITIES AVAILABLE-FOR-SALE				
U.S. agency securities	\$ 16,058	\$ 24	\$ (270)	\$ 15,812
Corporate securities	7,082	4	(179)	6,907
Municipal bonds	13,203	3	(599)	12,607
Mortgage-backed securities	48,726	19	(1,826)	46,919
U.S. Small Business Administration securities	15,699	—	(570)	15,129
Total securities available-for-sale	\$ 100,768	\$ 50	\$ (3,444)	\$ 97,374

	December 31, 2017			Estimated Fair Values
	Amortized Cost	Unrealized Gains	Unrealized Losses	
SECURITIES AVAILABLE-FOR-SALE				
U.S. agency securities	\$ 9,077	\$ 49	\$ (11)	\$ 9,115
Corporate securities	7,113	9	(96)	7,026
Municipal bonds	12,720	148	(82)	12,786
Mortgage-backed securities	40,161	63	(490)	39,734
U.S. Small Business Administration securities	14,014	—	(195)	13,819
Total securities available-for-sale	\$ 83,085	\$ 269	\$ (874)	\$ 82,480

At September 30, 2018, the Bank had pledged seven securities held at the FHLB of Des Moines with a carrying value of \$10.3 million to secure Washington State public deposits of \$7.8 million with a \$3.3 million collateral requirement by the Washington Public Deposit Protection Commission. At December 31, 2017, the Bank pledged nine securities held at the FHLB of Des Moines with a carrying value of \$10.7 million to secure Washington State public deposits of \$7.6 million with a \$3.2 million minimum collateral requirement by the Washington Public Deposit Protection Commission.

Investment securities that were in an unrealized loss position at September 30, 2018 and December 31, 2017 are presented in the following tables, based on the length of time individual securities have been in an unrealized loss position. Management believes that these securities are only temporarily impaired due to changes in market interest rates or the widening of market spreads subsequent to the initial purchase of the securities, and not due to concerns regarding the underlying credit of the issuers or the underlying collateral.

	September 30, 2018		Total
	Less than 12 Months	12 Months or Longer	

Edgar Filing: FS Bancorp, Inc. - Form 10-Q

	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
SECURITIES						
AVAILABLE-FOR-SALE						
U.S. agency securities	\$ 13,787	\$ (270)	\$ —	\$ —	\$ 13,787	\$ (270)
Corporate securities	4,007	(79)	1,897	(100)	5,904	(179)
Municipal bonds	6,077	(165)	5,115	(434)	11,192	(599)
Mortgage-backed securities	23,653	(656)	21,773	(1,170)	45,426	(1,826)
U.S. Small Business Administration securities	6,969	(181)	8,160	(389)	15,129	(570)
Total	\$ 54,493	\$ (1,351)	\$ 36,945	\$ (2,093)	\$ 91,438	\$ (3,444)

Table of Contents

	December 31, 2017				Total Fair Value	Unrealized Losses
	Less than 12 Months Fair Value	Unrealized Losses	12 Months or Longer Fair Value	Unrealized Losses		
SECURITIES						
AVAILABLE-FOR-SALE						
U.S. agency securities	\$ 2,987	\$ (11)	\$ —	\$ —	\$ 2,987	\$ (11)
Corporate securities	4,102	(15)	1,915	(81)	6,017	(96)
Municipal bonds	5,982	(82)	—	—	5,982	(82)
Mortgage-backed securities	7,262	(61)	20,635	(429)	27,897	(490)
U.S. Small Business Administration securities	11,876	(162)	1,943	(33)	13,819	(195)
Total	\$ 32,209	\$ (331)	\$ 24,493	\$ (543)	\$ 56,702	\$ (874)

There were 37 investments with unrealized losses of less than one year, and 29 investments with unrealized losses of more than one year at September 30, 2018. There were 21 investments with unrealized losses of less than one year, and 17 investments with unrealized losses of more than one year at December 31, 2017. The unrealized losses associated with these investments are believed to be caused by changes in market interest rates that are considered to be temporary and the Company does not intend to sell the securities, and it is not likely to be required to sell these securities prior to maturity. Based on the Company's evaluation of these securities, no other-than-temporary impairment was recorded for the nine months ended September 30, 2018, or for the year ended December 31, 2017.

The contractual maturities of securities available-for-sale at September 30, 2018 and December 31, 2017 are listed below. Expected maturities of mortgage-backed securities may differ from contractual maturities because borrowers may have the right to call or prepay the obligations; therefore, these securities are classified separately with no specific maturity date.

	September 30, 2018		December 31, 2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. agency securities				
Due after five years through ten years	\$ 11,060	\$ 10,909	\$ 4,079	\$ 4,124
Due after ten years	4,998	4,903	4,998	4,991
Subtotal	16,058	15,812	9,077	9,115
Corporate securities				
Due after one year through five years	6,086	6,001	5,117	5,111
Due after five years through ten years	996	906	1,996	1,915
Subtotal	7,082	6,907	7,113	7,026
Municipal bonds				
Due after one year through five years	2,659	2,568	2,001	2,026
Due after five years through ten years	1,736	1,702	4,111	4,206
Due after ten years	8,808	8,337	6,608	6,554
Subtotal	13,203	12,607	12,720	12,786
Mortgage-backed securities				
Federal National Mortgage Association ("FNMA")	32,735	31,597	23,310	23,091

Edgar Filing: FS Bancorp, Inc. - Form 10-Q

Federal Home Loan Mortgage Corporation (“FHLMC”)	10,737	10,256	10,818	10,629
Government National Mortgage Association (“GNMA”)	5,254	5,066	6,033	6,014
Subtotal	48,726	46,919	40,161	39,734
U.S. Small Business Administration securities				
Due after five years through ten years	13,837	13,354	12,065	11,896
Due after ten years	1,862	1,775	1,949	1,923
Subtotal	15,699	15,129	14,014	13,819
Total	\$ 100,768	\$ 97,374	\$ 83,085	\$ 82,480

Table of Contents

The proceeds and resulting gains and losses, computed using specific identification from sales of securities available-for-sale for the three and nine months ended September 30, 2018 and 2017 were as follows:

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	Proceeds	Gross	Gross	Proceeds	Gross	Gross
		Gains	(Losses)		Gains	(Losses)
Securities available-for-sale	\$ —	\$ —	\$ —	\$ 5,305	\$ 113	\$ —

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	Proceeds	Gross	Gross	Proceeds	Gross	Gross
		Gains	(Losses)		Gains	(Losses)
Securities available-for-sale	\$ 9,115	\$ 143	\$ —	\$ 39,103	\$ 413	\$ (33)

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The composition of the loan portfolio was as follows at September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
REAL ESTATE LOANS		
Commercial	\$ 68,694	\$ 63,611
Construction and development	191,172	143,068
Home equity	26,085	25,289
One-to-four-family (excludes loans held for sale)	188,333	163,655
Multi-family	48,061	44,451
Total real estate loans	522,345	440,074
CONSUMER LOANS		
Indirect home improvement	155,870	130,176
Solar	42,967	41,049
Marine	56,578	35,397
Other consumer	2,059	2,046
Total consumer loans	257,474	208,668
COMMERCIAL BUSINESS LOANS		
Commercial and industrial	113,786	83,306
Warehouse lending	67,540	41,397
Total commercial business loans	181,326	124,703

Edgar Filing: FS Bancorp, Inc. - Form 10-Q

Total loans receivable, gross	961,145	773,445
Allowance for loan losses	(12,045)	(10,756)
Deferred costs and fees, net	(3,195)	(2,708)
Premiums on purchased loans	1,667	1,577
Total loans receivable, net	\$ 947,572	\$ 761,558

Most of the Company's commercial and multi-family real estate, construction, residential, and/or commercial business lending activities are with customers located in the greater Puget Sound area and near our one loan production office located in the Tri-Cities, Washington. The Company originates real estate, consumer, and commercial business loans and has concentrations in these areas, however, indirect home improvement loans are originated through a network of home improvement contractors and dealers located throughout Washington, Oregon, California, Idaho, Colorado, and Arizona. The Company also originates solar loans through contractors and dealers in the state of California. Loans are generally secured by collateral and rights to collateral vary and are legally documented to the extent practicable. Local economic conditions may affect borrowers' ability to meet the stated repayment terms.

Table of Contents

The Company has defined its loan portfolio into three segments that reflect the structure of the lending function, the Company's strategic plan and the manner in which management monitors performance and credit quality. The three loan portfolio segments are: (a) Real Estate Loans, (b) Consumer Loans, and (c) Commercial Business Loans. Each of these segments is disaggregated into classes based on the risk characteristics of the borrower and/or the collateral type securing the loan. The following is a summary of each of the Company's loan portfolio segments and classes:

Real Estate Loans

Commercial Lending. Loans originated by the Company primarily secured by income producing properties, including retail centers, warehouses, and office buildings located in our market areas.

Construction and Development Lending. Loans originated by the Company for the construction of, and secured by, commercial real estate, one-to-four-family, and multi-family residences and tracts of land for development that are not pre-sold. A small portion of the one-to-four-family construction portfolio is custom construction loans to the intended occupant of the residence.

Home Equity Lending. Loans originated by the Company secured by second mortgages on one-to-four-family residences, including home equity lines of credit in our market areas.

One-to-Four-Family Real Estate Lending. One-to-four-family residential loans include owner occupied properties (including second homes), and non-owner occupied properties with four or less units. These loans originated by the Company are secured by first mortgages on one-to-four-family residences in our market areas that the Company intends to hold (excludes loans held for sale).

Multi-Family Lending. Apartment term lending (five or more units) to current banking customers and community reinvestment loans for low to moderate income individuals in the Company's footprint.

Consumer Loans

Indirect Home Improvement. Fixture secured loans for home improvement are originated by the Company through its network of home improvement contractors and dealers and are secured by the personal property installed in, on, or at the borrower's real property, and may be perfected with a UCC 2 financing statement filed in the county of the borrower's residence. These indirect home improvement loans include replacement windows, siding, roofing, pools, and other home fixture installations.

Solar. Fixture secured loans for solar related home improvement projects are originated by the Company through its network of contractors and dealers, and are secured by the personal property installed in, on, or at the borrower's real property, and which may be perfected with a UCC 2 financing statement filed in the county of the borrower's residence.

Marine. Loans originated by the Company, secured by boats, to borrowers located in the states we originate consumer loans.

Other Consumer. Loans originated by the Company to consumers in our retail branch footprint, including automobiles, recreational vehicles, direct home improvement loans, loans on deposits, and other consumer loans, primarily consisting of personal lines of credit.

Commercial Business Loans

Commercial and Industrial Lending (“C&I”). Loans originated by the Company to local small- and mid-sized businesses in our Puget Sound market area are secured primarily by accounts receivable, inventory, or personal property, plant and equipment. Some of the C&I loans purchased by the Company are outside of the Greater Puget Sound market area. C&I loans are made on the basis of the borrower’s ability to make repayment from the cash flow of the borrower’s business.

Warehouse Lending. Loans originated to non-depository financial institutions and secured by notes originated by the non-depository financial institution. The Company has two distinct warehouse lending divisions: commercial warehouse re-lending secured by notes on construction loans and mortgage warehouse re-lending secured by notes on one-to-four-family

Table of Contents

loans. The Company's commercial construction warehouse lines are secured by notes on construction loans and typically guaranteed by principles with experience in construction lending. Mortgage warehouse lending loans are funded through third-party residential mortgage bankers. Under this program the Company provides short-term funding to the mortgage banking companies for the purpose of originating residential mortgage loans for sale into the secondary market.

The following tables detail activity in the allowance for loan losses by loan categories at or for the three and nine months ended September 30, 2018 and 2017:

	At or For the Three Months Ended September 30, 2018				
	Real Estate	Consumer	Commercial Business	Unallocated	Total
ALLOWANCE FOR LOAN LOSSES					
Beginning balance	\$ 5,125	\$ 3,184	\$ 2,567	\$ 695	\$ 11,571
Provision for loan losses	324	(23)	734	(585)	450
Charge-offs	—	(192)	—	—	(192)
Recoveries	15	201	—	—	216
Net recoveries	15	9	—	—	24
Ending balance	\$ 5,464	\$ 3,170	\$ 3,301	\$ 110	\$ 12,045
Period end amount allocated to:					
Loans individually evaluated for impairment	\$ 21	\$ 156	\$ 700	\$ —	\$ 877
Loans collectively evaluated for impairment	5,443	3,014	2,601	110	11,168
Ending balance	\$ 5,464	\$ 3,170	\$ 3,301	\$ 110	\$ 12,045
LOANS RECEIVABLE					
Loans individually evaluated for impairment	\$ 290	\$ 444	\$ 1,438	\$ —	\$ 2,172
Loans collectively evaluated for impairment	522,055	257,030	179,888	—	958,973
Ending balance	\$ 522,345	\$ 257,474	\$ 181,326	\$ —	\$ 961,145

	At or For the Nine Months Ended September 30, 2018				
	Real Estate	Consumer	Commercial Business	Unallocated	Total
ALLOWANCE FOR LOAN LOSSES					
Beginning balance	\$ 4,770	\$ 2,814	\$ 2,014	\$ 1,158	\$ 10,756
Provision for loan losses	667	348	1,283	(1,048)	1,250
Charge-offs	(4)	(644)	—	—	(648)
Recoveries	31	652	4	—	687
Net recoveries	27	8	4	—	39
Ending balance	\$ 5,464	\$ 3,170	\$ 3,301	\$ 110	\$ 12,045
Period end amount allocated to:					
Loans individually evaluated for impairment	\$ 21	\$ 156	\$ 700	\$ —	\$ 877
	5,443	3,014	2,601	110	11,168

Edgar Filing: FS Bancorp, Inc. - Form 10-Q

Loans collectively evaluated for impairment					
Ending balance	\$ 5,464	\$ 3,170	\$ 3,301	\$ 110	\$ 12,045
LOANS RECEIVABLE					
Loans individually evaluated for impairment	\$ 290	\$ 444	\$ 1,438	\$ —	\$ 2,172
Loans collectively evaluated for impairment	522,055	257,030	179,888	—	958,973
Ending balance	\$ 522,345	\$ 257,474	\$ 181,326	\$ —	\$ 961,145

Table of Contents

	At or For the Three Months Ended September 30, 2017				
	Real Estate	Consumer	Commercial Business	Unallocated	Total
ALLOWANCE FOR LOAN LOSSES					
Beginning balance	\$ 4,144	\$ 2,669	\$ 2,453	\$ 877	\$ 10,143
Provision for loan losses	481	65	(130)	34	450
Charge-offs	(55)	(152)	(33)	—	(240)
Recoveries	35	208	2	—	245
Net (charge-offs) recoveries	(20)	56	(31)	—	5
Ending balance	\$ 4,605	\$ 2,790	\$ 2,292	\$ 911	\$ 10,598
Period end amount allocated to:					
Loans individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —
Loans collectively evaluated for impairment	4,605	2,790	2,292	911	10,598
Ending balance	\$ 4,605	\$ 2,790	\$ 2,292	\$ 911	\$ 10,598
LOANS RECEIVABLE					
Loans individually evaluated for impairment	\$ 210	\$ —	\$ 551	\$ —	\$ 761
Loans collectively evaluated for impairment	429,998	201,674	133,138	—	764,810
Ending balance	\$ 430,208	\$ 201,674	\$ 133,689	\$ —	\$ 765,571

	At or For the Nine Months Ended September 30, 2017				
	Real Estate	Consumer	Commercial Business	Unallocated	Total
ALLOWANCE FOR LOAN LOSSES					
Beginning balance	\$ 3,547	\$ 2,082	\$ 2,675	\$ 1,907	\$ 10,211
Provision for loan losses	1,077	726	(357)	(996)	450
Charge-offs	(55)	(536)	(33)	—	(624)
Recoveries	36	518	7	—	561
Net charge-offs	(19)	(18)	(26)	—	(63)
Ending balance	\$ 4,605	\$ 2,790	\$ 2,292	\$ 911	\$ 10,598
Period end amount allocated to:					
Loans individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —
Loans collectively evaluated for impairment	4,605	2,790	2,292	911	10,598
Ending balance	\$ 4,605	\$ 2,790	\$ 2,292	\$ 911	\$ 10,598
LOANS RECEIVABLE					
Loans individually evaluated for impairment	\$ 210	\$ —	\$ 551	\$ —	\$ 761
Loans collectively evaluated for impairment	429,998	201,674	133,138	—	764,810
Ending balance	\$ 430,208	\$ 201,674	\$ 133,689	\$ —	\$ 765,571

Non-accrual and Past Due Loans. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are automatically placed on non-accrual once the loan is 90 days past due or sooner if, in management's opinion, the borrower may be unable to meet payment obligations as they become due, or as required by regulatory authorities.

18

Table of Contents

The following tables provide information pertaining to the aging analysis of contractually past due loans and non-accrual loans at September 30, 2018 and December 31, 2017:

	September 30, 2018				Current	Total Loans Receivable	Non- Accrual
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due			
REAL ESTATE LOANS							
Commercial	\$ —	\$ —	\$ —	\$ —	\$ 68,694	\$ 68,694	\$ —
Construction and development	—	—	—	—	191,172	191,172	—
Home equity	—	—	46	46	26,039	26,085	149
One-to-four-family	—	—	141	141	188,192	188,333	141
Multi-family	—	—	—	—	48,061	48,061	—
Total real estate loans	—	—	187	187	522,158	522,345	290
CONSUMER LOANS							
Indirect home improvement	347	149	141	637	155,233	155,870	339
Solar	96	62	40	198	42,769	42,967	40
Marine	7	—	50	57	56,521	56,578	63
Other consumer	—	2	—	2	2,057	2,059	2
Total consumer loans	450	213	231	894	256,580	257,474	444
COMMERCIAL BUSINESS LOANS							
Commercial and industrial	—	—	—	—	113,786	113,786	1,438
Warehouse lending	—	—	—	—	67,540	67,540	—
Total commercial business loans	—	—	—	—	181,326	181,326	1,438
Total loans	\$ 450	\$ 213	\$ 418	\$ 1,081	\$ 960,064	\$ 961,145	\$ 2,172

	December 31, 2017				Current	Total Loans Receivable	Non- Accrual
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due			
REAL ESTATE LOANS							
Commercial	\$ —	\$ —	\$ —	\$ —	\$ 63,611	\$ 63,611	\$ —
Construction and development	—	—	—	—	143,068	143,068	—
Home equity	122	—	136	258	25,031	25,289	151
One-to-four-family	142	—	—	142	163,513	163,655	142
Multi-family	—	—	—	—	44,451	44,451	—
Total real estate loans	264	—	136	400	439,674	440,074	293
CONSUMER LOANS							
	255	215	99	569	129,607	130,176	195

Edgar Filing: FS Bancorp, Inc. - Form 10-Q

Indirect home improvement							
Solar	49	19	—	68	40,981	41,049	—
Marine	—	—	—	—	35,397	35,397	—
Other consumer	—	—	—	—	2,046	2,046	—
Total consumer loans	304	234	99	637	208,031	208,668	195
COMMERCIAL BUSINESS LOANS							
Commercial and industrial	—	551	—	551	82,755	83,306	551
Warehouse lending	—	—	—	—	41,397	41,397	—
Total commercial business loans	—	551	—	551	124,152	124,703	551
Total loans	\$ 568	\$ 785	\$ 235	\$ 1,588	\$ 771,857	\$ 773,445	\$ 1,039

There were no loans 90 days or more past due and still accruing interest at both September 30, 2018 and December 31, 2017.

Table of Contents

The following tables provide additional information about our impaired loans that have been segregated to reflect loans for which an allowance for credit losses has been provided and loans for which no allowance was provided at September 30, 2018 and December 31, 2017: