

FS Bancorp, Inc.
Form 10-Q
August 14, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number: 333-177125
FS BANCORP, INC.
(Exact name of registrant as specified in its charter)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Exchange Act 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

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

State the number of shares outstanding of each issuer's classes of common equity, as of the latest practicable date:

FS Bancorp, Inc. is authorized to issue up to 45,000,000 shares of common stock, par value \$.01 per share, and up to 5,000,000 shares of preferred stock, par value \$.01 per share. At August 13, 2012, there were 3,240,125 outstanding shares of the issuer's common stock.

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FS Bancorp, Inc., a Washington corporation, was formed in connection with the conversion of 1st Security Bank of Washington from the mutual to the stock form of organization which was completed on July 9, 2012. As of the reporting date of June 30, 2012, the conversion had not been completed and FS Bancorp, Inc. had not issued any shares of its common stock, had no assets or liabilities and had not conducted any business other than that of an organizational nature. For a further discussion of FS Bancorp, Inc.'s formation and operations, see the Registration Statement on Form S-1 (SEC Registration No. 333-177125). Based on the foregoing, the information presented in this Form 10-Q as of June 30, 2012 is for 1st Security Bank of Washington, the subsidiary of FS Bancorp, Inc.

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FS BANCORP, INC.
BALANCE SHEETS

(Dollars in thousands)

	June 30, 2012	December 31, 2011
ASSETS		
Cash and due from banks	\$3,085	\$2,356
Interest-bearing deposits at other financial institutions	30,151	16,897
Total cash and cash equivalents	33,236	19,253
Securities available-for-sale, at fair value	37,864	26,899
Federal Home Loan Bank stock, at cost	1,797	1,797
Loans held for sale	4,094	-
Loans receivable, net	245,202	217,131
Accrued interest receivable	1,129	1,020
Premises and equipment, net	11,154	9,852
Other real estate owned	2,950	4,589
Other assets	3,485	3,252
TOTAL ASSETS	\$340,911	\$283,793
LIABILITIES		
Deposits		
Interest-bearing accounts	\$281,559	\$227,164
Noninterest-bearing accounts	25,811	19,254
Total deposits	307,370	246,418
Borrowings	4,100	8,900
Other liabilities	1,539	1,708
Total liabilities	313,009	257,026
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
EQUITY		
Retained earnings	27,349	26,451
Accumulated other comprehensive income	553	316
Total equity	27,902	26,767
TOTAL LIABILITIES AND EQUITY	\$340,911	\$283,793

See accompanying notes to these financial statements.

FS BANCORP, INC.
STATEMENTS OF INCOME

(Dollars in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
INTEREST INCOME				
Loans receivable	\$4,341	\$4,005	\$8,475	\$8,150
Interest and dividends on investment securities, and cash and cash equivalents	163	63	328	113
Total interest income	4,504	4,068	8,803	8,263
INTEREST EXPENSE				
Deposits	569	748	1,172	1,539
Borrowings	44	44	90	88
Total interest expense	613	792	1,262	1,627
NET INTEREST INCOME	3,891	3,276	7,541	6,636
PROVISION FOR LOAN LOSSES	550	565	1,065	1,030
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,341	2,711	6,476	5,606
NONINTEREST INCOME				
Service charges and fee income	505	475	995	942
Gain on sale of loans	445	-	551	-
Gain on sale of investment securities	94	-	106	-
Other noninterest income	78	82	193	159
Total noninterest income	1,122	557	1,845	1,101
NONINTEREST EXPENSE				
Salaries and benefits	1,864	1,336	3,561	2,680
Operations	624	454	1,131	948
Occupancy	314	256	603	499
Data processing	275	210	508	417
OREO fair value write-downs, net of (gain) loss on sales	216	45	646	117
OREO expenses	64	74	98	128
Loan costs	198	118	337	263
Professional and board fees	166	136	303	270
FDIC insurance	56	140	119	280
Marketing and advertising	67	56	120	97
Impairment reversal of mortgage servicing rights	(2)	-	-
Total noninterest expense	3,842	2,825	7,423	5,699
INCOME BEFORE PROVISION FOR INCOME TAX	621	443	898	1,008
PROVISION FOR INCOME TAX EXPENSE	-	-	-	-
NET INCOME	\$621	\$443	\$898	\$1,008

See accompanying notes to these financial statements.

FS BANCORP, INC.
STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	Three months ended June30,		Six months ended June 30,	
	2012	2011	2012	2011
Net Income	\$621	\$443	\$898	\$1,008
Other comprehensive income, net of tax:				
Unrealized gain on securities available-for-sale:				
Unrealized holding gain arising during period	337	180	343	174
Reclassification adjustment for unrealized gains realized in net income	(94) -	(106) -
Income tax benefit related to unrealized gain	-	-	-	-
Other comprehensive income, net of tax	243	180	237	174
COMPREHENSIVE INCOME	\$864	\$623	\$1,135	\$1,182

See accompanying notes to these financial statements.

FS BANCORP, INC.
STATEMENTS OF EQUITY

(Dollars in thousands)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
BALANCE, January 1, 2011	\$24,906	\$(111)	\$24,795
Net income	1,008	–	1,008
Other comprehensive income	–	174	174
BALANCE, June 30, 2011	\$25,914	\$63	\$25,977
BALANCE, January 1, 2012	\$26,451	\$316	26,767
Net income	898	–	898
Other comprehensive income	–	237	