FS Bancorp, Inc.
Form 10-Q
August 14, 2013

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

FORM 10-Q
(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013 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	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)

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 [X] 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 [X] 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 [ ]

Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

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 August 9, 2013, there were 3,240,125 outstanding shares of the registrant's common stock.

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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.

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

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

	June 30, 2013	December 31, 2012
ASSETS		
Cash and due from banks	$2,296	$4,003
Interest-bearing deposits at other financial institutions	14,117	5,410
Securities available-for-sale, at fair value	44,186	43,313
Federal Home Loan Bank stock, at cost	1,733	1,765
Loans held for sale	13,146	8,870
Loans receivable, net	280,411	274,949
Accrued interest receivable	1,292	1,223
Premises and equipment, net	13,525	12,663
Other real estate owned ("OREO")	1,805	2,127
Deferred tax asset	1,349	1,927
Other assets	5,002	2,780
TOTAL ASSETS	$378,862	$359,030
LIABILITIES		
Deposits		
Interest-bearing accounts	$263,808	$254,784
Noninterest-bearing accounts	37,105	34,165
Total deposits	300,913	288,949
Borrowings	13,664	6,840
Other liabilities	3,206	3,344
Total liabilities	317,783	299,133
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; 3,240,125 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	32	32
Additional paid-in capital	29,979	29,894
Retained earnings	33,917	31,746
Accumulated other comprehensive income (loss)	(609)	597
Unearned shares - Employee Stock Ownership Plan ("ESOP")	(2,240)	(2,372)
Total stockholders' equity	61,079	59,897
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$378,862	$359,030

See accompanying notes to these consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
INTEREST INCOME				
Loans receivable	$5,233	$4,341	$10,171	$8,475
Interest and dividends on investment securities and cash and cash equivalents	203	163	440	328
Total interest income	5,436	4,504	10,611	8,803
INTEREST EXPENSE				
Deposits	464	569	936	1,172
Borrowings	48	44	87	90
Total interest expense	512	613	1,023	1,262
NET INTEREST INCOME	4,924	3,891	9,588	7,541
PROVISION FOR LOAN LOSSES	600	550	1,200	1,065
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,324	3,341	8,388	6,476
NONINTEREST INCOME				
Service charges and fee income	494	505	948	995
Gain on sale of loans	2,228	445	3,779	551
Gain on sale of investment securities	96	94	264	106
Other noninterest income	113	78	203	193
Total noninterest income	2,931	1,122	5,194	1,845
NONINTEREST EXPENSE				
Salaries and benefits	3,135	1,864	5,612	3,561
Operations	759	624	1,517	1,131
Occupancy	385	314	702	603
Data processing	266	275	532	508
OREO fair value write-downs, net of loss on sales	117	216	195	646
OREO expenses	16	64	38	98
Loan costs	345	198	645	337
Professional and board fees	333	166	563	303
FDIC insurance	67	56	123	119
Marketing and advertising	158	67	243	120
Impairment (recovery) on mortgage servicing rights	22	(2)	(100)	(3)
Total noninterest expense	5,603	3,842	10,070	7,423
INCOME BEFORE PROVISION FOR INCOME TAX	1,652	621	3,512	898
PROVISION FOR INCOME TAX	566	—	1,191	—
NET INCOME	$1,086	$621	$2,321	$898
Basic earnings per share	$0.36	n/a (1)	$0.77	n/a (1)
Diluted earnings per share	$0.36	n/a (1)	$0.77	n/a (1)

(1): Earnings per share calculations are not available (n/a) as the Company completed its stock conversion and became a public company on July 9, 2012.

See accompanying notes to these consolidated financial statements.

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FS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net Income	$1,086	$621	$2,321	$898
Other comprehensive gain (loss), net of tax:				
Unrealized gain (loss) on securities available-for-sale:				
Unrealized holding gain (loss) arising during period	(1,298)	337	(1,256)	343
Reclassification adjustment for realized losses included in net income	(96)	(94)	(264)	(106)
Income tax benefit related to realized and unrealized gain (loss)	474	—	314	—
Other comprehensive gain (loss), net of tax	(920)	243	(1,206)	237
COMPREHENSIVE INCOME	$166	$864	$1,115	$1,135

See accompanying notes to these consolidated financial statements.

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

	Common Stock		Additional		Accumulated Other	Unearned	
	Shares	Amount	Paid-in Capital	Retained Earnings	Comprehensive Income (Loss)	ESOP Shares	Total Equity
BALANCE, January 1, 2012	—	$—	$—	$26,451	$316	$—	$26,767
Net income	—	—	—	898	—	—	898
Other comprehensive income	—	—	—	—	237	—	237
BALANCE, June 30, 2012	—	$—	$—	$27,349	$553	$—	$27,902
BALANCE, January 1, 2013	3,240,125	$32	$29,894	$31,746	$597	$(2,372)	$59,897
Net income	—	—	—	2,321	—	—	2,321
Dividends paid ($0.05 per share)	—	—	—	(150)	—	—	(150)
Other comprehensive loss, net of tax	—	—	—	—	(1,206)	—	(1,206)
ESOP shares allocated	—	—	85	—	—	132	217
BALANCE, June 30, 2013	3,240,125	$32	$29,979	$33,917	$(609)	$(2,240)	$61,079

See accompanying notes to these consolidated financial statements.

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FS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Six Months Ended June 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$2,321	$898
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	1,200	1,065
Depreciation, amortization and accretion	513	756
ESOP compensation expense for allocated shares	217	—
Provision for deferred income taxes	981	296
Valuation allowance on deferred income taxes	—	(296)
Gain on sale of loans held for sale	(3,779)	(551)
Origination of loans held for sale	(132,168)	(35,134)
Proceeds from sale of loans held for sale	133,978	31,440
Gain on sale of investment securities	(264)	(106)
Loss on sale of other real estate owned	—	52
Recovery of loss on mortgage servicing rights	(100)	(3)
Impairment loss on other real estate owned	195	594
Changes in operating assets and liabilities		
Accrued interest receivable	(69)	(109)
Other assets	(1,368)	(115)
Other liabilities	(52)	(142)
Net cash from (used by) operating activities	1,605	(1,355)
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in securities available-for-sale:		
Proceeds from sale of investment securities	8,786	2,432
Maturities, prepayments, and calls	1,676	5,741
Purchases	(13,083)	(19,083)
Loan originations and principal collections, net	(9,496)	(30,147)
Proceeds from sale of other real estate owned	163	1,966
Purchase of premises and equipment	(1,289)	(1,723)
Net cash used by investing activities	(13,243)	(40,814)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	11,964	60,952
Proceeds from borrowings	76,454	12,900
Repayments of borrowings	(69,630)	(17,700)
Dividends paid	(150)	—
Net cash from financing activities	18,638	56,152
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,000	13,983
CASH AND CASH EQUIVALENTS, beginning of period	6,787	19,253
CASH AND CASH EQUIVALENTS, end of period	$13,787	$33,236
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$1,017	$1,269

Income taxes	$210	$—
SUPPLEMENTARY DISCLOSURES OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES		
Change in unrealized gain (loss) on investment securities	$(1,827)	$237
Property taken in settlement of loans	$(36)	$(921)
Transfer portfolio loans to loans held for sale	$3,251	$—

See accompanying notes to these consolidated financial statements.

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 proposed holding company for 1st Security Bank of Washington (the "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 stock owned savings bank with seven branches in suburban communities in the greater Puget Sound area. The Bank provides loan and deposit services to customers who are predominantly small and middle-market businesses and individuals.

Financial Statement Presentation – The accompanying unaudited consolidated interim financial statements do not contain all necessary disclosures required by Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP") for complete financial statements and, therefore, should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission ("SEC") on April 1, 2013. These unaudited financial statements include all normal and recurring adjustments that management believes are necessary in order to conform to U.S. GAAP and have been reflected as required by Article 10 of Regulation S-X as promulgated by the SEC. The results for the three and six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013 or any other future period. Amounts presented in the financial statements and footnote tables are rounded and presented in thousands of dollars. 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 2013 presentation with no change to net income or equity previously reported. Earnings per share and share calculations prior to June 30, 2012 are not available as the Company completed its stock conversion and became a public company on July 9, 2012.

Conversion and Change in Corporate Form – On July 9, 2012, in accordance with a Plan of Conversion (the "Plan") adopted by its Board of Directors and as approved by its depositors and borrower members, the Bank (i) converted from a mutual savings bank to a stock savings bank, and (ii) became the wholly-owned subsidiary of FS Bancorp, Inc., a bank holding company registered with the Board of Governors of the Federal Reserve System ("FRB"). In connection with the conversion, FS Bancorp, Inc. issued an aggregate of 3,240,125 shares of common stock at an offering price of $10.00 per share for gross proceeds of $32.4 million. From the proceeds, FS Bancorp, Inc. made a capital contribution of $15.5 million to the Bank. The Bank intends to use this additional capital for future lending and investment activities and for general and other corporate purposes subject to regulatory limitations. The cost of conversion and the issuance of capital stock was approximately $2.5 million, which was deducted from the proceeds of the offering.

Pursuant to the Plan, the Company's Board of Directors adopted an ESOP plan 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 as of December 31, 2011. The liquidation account will be maintained for the benefits of eligible savings account holders as of 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.

Use of Estimates – 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 change in the near term are allowances for loan losses, fair value of measurements, and the estimated realizability related to the deferred tax asset.

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.

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events – The Company has evaluated events and transactions subsequent to June 30, 2013 for potential recognition or disclosure.

Cash and Cash Equivalents – Cash and cash equivalents include cash and due from banks, and interest-bearing balances due from other banks and the Federal Reserve Bank of San Francisco. Cash and cash equivalents have a maturity of 90 days or less at the time of purchase. As of June 30, 2013 and December 31, 2012, the Company had cash deposits at other financial institutions in excess of Federal Deposit Insurance Corporation ("FDIC") insured limits. However, as the Company places these deposits with major financial institutions and monitors the financial condition of these institutions, management believes the risk of loss to be minimal.

Deposits in Other Financial Institutions – The Company held interest-bearing certificates of deposits at other financial institutions with a cost basis of $14.1 million and $5.4 million as of June 30, 2013 and December 31, 2012, respectively. Certificates of deposits in the amount of $2.6 million with original maturity dates greater than 90 days were excluded from cash and cash equivalents as of June 30, 2013 and December 31, 2012.

RECENT ACCOUNTING PRONOUNCEMENTS

For the quarter ended June 30, 2013, there were no new accounting standards during the period that, when implemented, would have a material impact on the Company's consolidated financial statements.

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SECURITIES AVAILABLE-FOR-SALE

The carrying amount of securities available-for-sale and their approximate fair values at June 30, 2013 and December 31, 2012 were as follows:

	June 30, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (less than 1 year)	Gross Unrealized Losses (more than 1 year)	Estimated Fair Values
Securities available-for-sale					
Federal agency securities	$11,321	$44	$(328)	$—	$11,037
Municipal bonds	9,325	43	(332)	—	9,036
Corporate securities	3,503	1	(34)	—	3,470
Mortgage-backed securities	20,959	56	(372)	—	20,643
Total securities available-for-sale	$45,108	$144	$(1,066)	$—	$44,186

	December 31, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (less than 1 year)	Gross Unrealized Losses (more than 1 year)	Estimated Fair Values
Securities available-for-sale					
Federal agency securities	$12,287	$281	$(16)	$—	$12,552
Municipal bonds	8,863	202	(5)	—	9,060
Corporate securities	2,492	—	(4)	—	2,488
Mortgage-backed securities	18,766	447	—	—	19,213
Total securities available-for-sale	$42,408	$930	$(25)	$—	$43,313

There were thirty-one investments with unrealized losses of less than one year as of June 30, 2013. There were nine investments with unrealized losses of less than one year as of December 31, 2012. The unrealized losses associated with these investments are believed to be caused by changing market conditions that are considered to be temporary and the Company has the intent and ability to hold these securities until recovery, and is not likely to be required to sell these securities. No other-than-temporary impairment write-downs were recorded for the six months ended June 30, 2013 or the year ended December 31, 2012.

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SECURITIES AVAILABLE-FOR-SALE (Continued)

The contractual maturities of securities available-for-sale at June 30, 2013 were as follows:

	June 30, 2013	
	Amortized Cost	Fair Value
No contractual maturity	$—	$—
Due in one year or less	2,025	2,038
Due after one year through five years	4,379	4,412
Due after five years through ten years	17,150	16,744
Due after ten years	21,554	20,992
Total	$45,108	$44,186

The proceeds and resulting gains, computed using specific identification, from sales of securities available-for-sale were as follows for the periods ended:

	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
	Proceeds	Gross Gains	Gross Losses	Proceeds	Gross Gains	Gross Losses
Securities available-for-sale	$4,718	$96	$—	$8,786	$264	$—

	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012		
	Proceeds	Gross Gains	Gross Losses	Proceeds	Gross Gains	Gross Losses
Securities available-for-sale	$1,647	$94	$—	$2,432	$106	$—

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The composition of the loan portfolio was as follows at June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
REAL ESTATE LOANS		
Commercial	$34,762	$33,250
Construction and development	43,177	31,893
Home equity	15,356	15,474
One-to-four-family	16,366	13,976
Multi-family	4,145	3,202
Total real estate loans	113,806	97,795
CONSUMER LOANS		
Indirect home improvement	94,058	86,249
Recreational	20,520	17,968
Automobile	1,485	2,416
Home improvement	558	651
Other	1,309	1,386
Total consumer loans	117,930	108,670
COMMERCIAL BUSINESS LOANS	53,966	73,465
Total loans	285,702	279,930
Allowance for loan losses	(5,276)	(4,698)
Deferred costs, fees, and discounts, net	(15)	(283)
Total loans receivable, net	$280,411	$274,949

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 Puget Sound market area.

Construction and Development Lending. Loans originated by the Company for the construction of and secured by commercial real estate and one-to-four-family residences and tracts of land for development, primarily in our Puget Sound market area.

Home Equity Lending. Loans originated by the Company secured by second mortgages on one-to-four-family residences, primarily in our Puget Sound market area.

One-to-Four-Family Real Estate Lending. Loans originated by the Company secured by first mortgages on one-to-four-family residences, primarily in our Puget Sound market area.

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

Multi-family Lending. Apartment lending (more than four units) to current banking customers and community reinvestment loans for low to moderate income individuals in our Puget Sound market area.

Consumer Lending

Indirect Home Improvement. Fixture secured loans are originated by the Company for home improvement 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. The Company originates indirect home improvement loans throughout the States of Washington, Oregon and California.

Automobile and Recreational. Loans originated by the Company secured by boats and automobiles to borrowers in our Puget Sound market area.

Other Consumer and Home Improvement Loans. Loans originated by the Company, including direct home improvement loans, loans on deposits and other consumer loans to borrowers in our Puget Sound market area.

Commercial Business Loans

Commercial Business Lending. Commercial business loans originated by the Company to local small and mid-sized businesses in our Puget Sound market area are secured by accounts receivable, inventory or property, plant and equipment. Commercial business loans are made on the basis of the borrower’s ability to make repayment from the cash flow of the borrower’s business.

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table details activity in the allowance for loan losses by loan categories:

	At or For the Three Months Ended June 30, 2013				
ALLOWANCE FOR LOAN LOSSES	Real Estate	Consumer	Commercial Business	Unallocated	Total
Beginning balance	$2,264	$1,831	$679	$270	$5,044
Provision for loan losses	317	143	(55)	195	600
Charge-offs	(86)	(460)	(44)	—	(590)
Recoveries	—	222	—	—	222
Net charge-offs	(86)	(238)	(44)	—	(368)
Ending balance	$2,495	$1,736	$580	$465	$5,276
Period end amount allocated to:					
Loans individually evaluated for impairment	$233	$—	$6	$—	$239
Loans collectively evaluated for impairment	2,262	1,736	574	465	5,037
Ending balance	$2,495	$1,736	$580	$465	$5,276
LOANS RECEIVABLE					
Loans individually evaluated for impairment	$4,198	$—	$152	$—	$4,350
Loans collectively evaluated for impairment	109,608	117,930	53,814	—	281,352
Ending balance	$113,806	$117,930	$53,966	$—	$285,702

	At or For the Six Months Ended June 30, 2013				
ALLOWANCE FOR LOAN LOSSES	Real Estate	Consumer	Commercial Business	Unallocated	Total
Beginning balance	$1,690	$2,158	$815	$35	$4,698
Provision for loan losses	971	(7)	(194)	430	1,200
Charge-offs	(201)	(859)	(44)	—	(1,104)
Recoveries	35	444	3	—	482
Net charge-offs	(166)	(415)	(41)	—	(622)
Ending balance	$2,495	$1,736	$580	$465	$5,276
Period end amount allocated to:					
Loans individually evaluated for impairment	$233	$—	$6	$—	$239
Loans collectively evaluated for impairment	2,262	1,736	574	465	5,037
Ending balance	$2,495	$1,736	$580	$465	$5,276
LOANS RECEIVABLE					
Loans individually evaluated for impairment	$4,198	$—	$152	$—	$4,350
Loans collectively evaluated for impairment	109,608	117,930	53,814	—	281,352
Ending balance	$113,806	$117,930	$53,966	$—	$285,702

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

	At or For the Three Months Ended June 30, 2012				
ALLOWANCE FOR LOAN LOSSES	Real Estate	Consumer	Commercial Business	Unallocated	Total
Beginning balance	$938	$2,487	$618	$157	$4,200
Provision for loan losses	447	(155)	44	214	550
Charge-offs	(264)	(479)	(2)	—	(745)
Recoveries	2	325	—	—	327
Net charge-offs	(262)	(154)	(2)	—	(418)
Ending balance	$1,123	$2,178	$660	$371	$4,332
Period end amount allocated to:					
Loans individually evaluated for impairment	$82	$—	$37	$—	$119
Loans collectively evaluated for impairment	1,041	2,178	623	371	4,213
Ending balance	$1,123	$2,178	$660	$371	$4,332
LOANS RECEIVABLE					
Loans individually evaluated for impairment	$3,310	$—	$357	$—	$3,667
Loans collectively evaluated for impairment	74,421	114,652	56,595	—	245,668
Ending balance	$77,731	$114,652	$56,952	$—	$249,335

	At or For the Six Months Ended June 30, 2012				
ALLOWANCE FOR LOAN LOSSES	Real Estate	Consumer	Commercial Business	Unallocated	Total
Beginning balance	$803	$2,846	$511	$185	$4,345
Provision for loan losses	581	49	249	186	1,065
Charge-offs	(264)	(1,304)	(100)	—	(1,668)
Recoveries	3	587	—	—	590
Net charge-offs	(261)	(717)	(100)	—	(1,078)
Ending balance	$1,123	$2,178	$660	$371	$4,332
Period end amount allocated to:					
Loans individually evaluated for impairment	$82	$—	$37	$—	$119
Loans collectively evaluated for impairment	1,041	2,178	623	371	4,213
Ending balance	$1,123	$2,178	$660	$371	$4,332
LOANS RECEIVABLE					
Loans individually evaluated for impairment	$3,310	$—	$357	$—	$3,667
Loans collectively evaluated for impairment	74,421	114,652	56,595	—	245,668
Ending balance	$77,731	$114,652	$56,952	$—	$249,335

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

Information pertaining to aging analysis of past due loans are summarized as follows:

	June 30, 2013 Loans Past Due and Still Accruing						
	30-59 Days	60-89 Days	90 Days or More Past Due	Total Past Due	Non-Accrual	Current	Total Loans Receivable
REAL ESTATE LOANS							
Commercial	$—	$—	$—	$—	$ 1,447	$33,315	$34,762
Construction and development	—	—	—	—	—	43,177	43,177
Home equity	48	461	—	509	115	14,732	15,356
One-to-four-family	—	—	—	—	360	16,006	16,366
Multi-family	—	—	—	—	—	4,145	4,145
Total real estate loans	48	461	—	509	1,922	111,375	113,806
CONSUMER							
Indirect home improvement	395	302	—	697	247	93,114	94,058
Recreational	40	17	—	57	—	20,463	20,520
Automobile	24	14	—	38	—	1,447	1,485
Home improvement	8	—	—	8	31	519	558
Other	20	6	—	26	—	1,283	1,309
Total consumer loans	487	339	—	826	278	116,826	117,930
COMMERCIAL BUSINESS LOANS	—	—	—	—	94	53,872	53,966
Total	$535	$800	$—	$1,335	$ 2,294	$282,073	$285,702

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FS BANCORP, INC. AND SUBSIDIARY
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NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

	December 31, 2012						
	Loans Past Due and Still Accruing						
	30-59 Days	60-89 Days	90 Days or More Past Due	Total Past Due	Non-Accrual	Current	Total Loans Receivable
REAL ESTATE LOANS							
Commercial	$—	$—	$—	$—	$ 783	$32,467	$33,250
Construction and development	—	—	—	—	—	31,893	31,893
Home equity	192	484	—	676	248	14,550	15,474
One-to-four-family	—	—	—	—	344	13,632	13,976
Multi-family	—	—	—	—	—	3,202	3,202
Total real estate loans	192	484	—	676	1,375	95,744	97,795
CONSUMER							
Indirect home improvement	653	300	—	953	295	85,001	86,249
Recreational	128	2	—	130	—	17,838	17,968
Automobile	68	1	—	69	10	2,337	2,416
Home improvement	—	—	—	—	32	619	651
Other	8	11	—	19	—	1,367	1,386
Total consumer loans	857	314	—	1,171	337	107,162	108,670
COMMERCIAL BUSINESS LOANS	—	—	—	—	194	73,271	73,465
Total	$1,049	$798	$—	$1,847	$ 1,906	$276,177	$279,930

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

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 has been provided:

	At or For the Six Months Ended June 30, 2013						
	Unpaid Principal Balance	Write-downs	Recorded Investment	Specific Reserve	Adjusted Recorded Investment	YTD Average Recorded Investment	YTD Interest Income Recognized
WITH NO RELATED ALLOWANCE RECORDED							
Commercial	$—	$—	$—	$—	$—	$—	$—
Construction and development	—	—	—	—	—	—	—
Home equity	45	—	45	—	45	44	—
One-to-four-family	1,302	(170)	1,132	—	1,132	1,109	31
Multi-family	—	—	—	—	—	—	—
Indirect home improvement	—	—	—	—	—	—	—
Recreational	—	—	—	—	—	—	—
Automobile	—	—	—	—	—	—	—
Home improvement	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Commercial business loans	166	(72)	94	—	94	94	—
Subtotal loans	1,513	(242)	1,271	—	1,271	1,247	31
WITH AN ALLOWANCE RECORDED							
Commercial	3,201	(225)	2,976	(217)	2,759	2,993	46
Construction and development	—	—	—	—	—	—	—
Home equity	45	—	45	(16)	29	45	—
One-to-four-family	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—
Indirect home improvement	—	—	—	—	—	—	—
Recreational	—	—	—	—	—	—	—
Automobile	—	—	—	—	—	—	—
Home improvement	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Commercial business	61	(3)	58	(6)	52	62	3

loans									
Subtotal loans	3,307	(228	)	3,079	(239	)	2,840	3,100	49
Total	$4,820	$(470	)	$4,350	$(239	)	$4,111	$4,347	$80

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

	At or For the Year Ended December 31, 2012						
	Unpaid Principal Balance	Write-downs	Recorded Investment	Specific Reserve	Adjusted Recorded Investment	YTD Average Recorded Investment	YTD Interest Income Recognized
WITH NO RELATED ALLOWANCE RECORDED							
Commercial	$—	$—	$—	$—	$—	$—	$—
Construction and development	—	—	—	—	—	—	—
Home equity	111	—	111	—	111	112	3
One-to-four-family	1,295	(170)	1,125	—	1,125	1,172	30
Multi-family	—	—	—	—	—	—	—
Indirect home improvement	—	—	—	—	—	—	—
Recreational	—	—	—	—	—	—	—
Automobile	—	—	—	—	—	—	—
Home improvement	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Commercial business loans	241	(111)	130	—	130	172	—
Subtotal loans	1,647	(281)	1,366	—	1,366	1,456	33
WITH AN ALLOWANCE RECORDED							
Commercial	950	(167)	783	(39)	744	893	7
Construction and development	—	—	—	—	—	—	—
Home equity	1,625	(38)	1,587	(79)	1,508	1,616	68
One-to-four-family	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—
Indirect home improvement	—	—	—	—	—	—	—
Recreational	—	—	—	—	—	—	—
Automobile	—	—	—	—	—	—	—
Home improvement	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—

Commercial business loans	67	(3)	64	(7)	57	68	5
Subtotal loans	2,642	(208)	2,434	(125)	2,309	2,577	80
Total	$4,289	$(489)	$3,800	$(125)	$3,675	$4,033	$113

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NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Quality Indicators

As part of the Company’s on-going monitoring of credit quality of the loan portfolio, management tracks certain credit quality indicators including trends related to (i) the risk grading of loans, (ii) the level of classified loans, (iii) net charge-offs, (iv) non-performing loans and (v) the general economic conditions in the Company’s market.

The Company utilizes a risk grading matrix to assign a risk grade to its real estate and commercial business loans. Loans are graded on a scale of 1 to 10, with loans in risk grades 1 to 6 considered “Pass” and loans in risk grades 7 to 10 are reported as classified loans in the Company's allowance for loan loss analysis.

A description of the 10 risk grades is as follows:

- Grades 1 and 2 – These grades include loans to very high quality borrowers with excellent or desirable business credit.
- Grade 3 – This grade includes loans to borrowers of good business credit with moderate risk.
- Grades 4 and 5 – These grades include “Pass” grade loans to borrowers of average credit quality and risk.
- Grade 6 – This grade includes loans on management’s “Watch” list and is intended to be utilized on a temporary basis for “Pass” grade borrowers where frequent and thorough monitoring is required due to credit weaknesses and where significant risk-modifying action is anticipated in the near term.
- Grade 7 – This grade is for “Other Assets Especially Mentioned (OAEM)” in accordance with regulatory guidelines and includes borrowers where performance is poor or significantly less than expected.
- Grade 8 – This grade includes “Substandard” loans in accordance with regulatory guidelines which represent an unacceptable business credit where a loss is possible if loan weakness is not corrected.
- Grade 9 – This grade includes “Doubtful” loans in accordance with regulatory guidelines where a loss is highly probable.
- Grade 10 – This grade includes “Loss” loans in accordance with regulatory guidelines for which total loss is expected and when identified are charged off.

Consumer, Home Equity and One-to-Four-Family Real Estate Loans

Homogeneous loans are risk rated based upon the Federal Deposit Insurance Corporation's Uniform Retail Credit Classification and Account Management Policy. Loans classified under this policy at the Company are consumer loans which include indirect home improvement, recreational, automobile, direct home improvement and other, and one-to-four-family first and second liens. Under the Uniform Retail Credit Classification Policy, loans that are current or less than 90 days past due are graded “Pass” and risk graded "4" internally. Loans that are past due more than 90 days are classified “Substandard” and risk graded "8" internally. At 120 days past due, homogeneous loans are charged off based on the value of the collateral less cost to sell.

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NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following tables summarize risk rated loan balances by category:

	June 30, 2013					
	Pass (1 - 5)	Watch (6)	Special Mention (7)	Substandard (8)	Doubtful(9)	Total
REAL ESTATE LOANS						
Commercial	$28,484	$3,302	$—	$2,976	$—	$34,762
Construction and development	43,177	—	—	—	—	43,177
Home equity	15,241	—	—	115	—	15,356
One-to-four-family	15,234	—	—	1,132	—	16,366
Multi-family	4,145	—	—	—	—	4,145
Total real estate loans	106,281	3,302	—	4,223	—	113,806
CONSUMER						
Indirect home improvement	93,811	—	—	247	—	94,058
Recreational	20,520	—	—	—	—	20,520
Automobile	1,485	—	—	—	—	1,485
Home improvement	527	—	—	31	—	558
Other	1,309	—	—	—	—	1,309
Total consumer loans	117,652	—	—	278	—	117,930
COMMERCIAL BUSINESS LOANS	53,150	664	—	152	—	53,966
Total	$277,083	$3,966	$—	$4,653	$—	$285,702

	December 31, 2012					
	Pass (1 - 5)	Watch (6)	Special Mention (7)	Substandard (8)	Doubtful(9)	Total
REAL ESTATE LOANS						
Commercial	$29,145	$3,322	$—	$783	$—	$33,250
Construction and development	30,306	—	—	1,587	—	31,893
Home equity	15,226	—	—	248	—	15,474
One-to-four-family	12,851	—	—	1,125	—	13,976
Multi-family	3,202	—	—	—	—	3,202
Total real estate loans	90,730	3,322	—	3,743	—	97,795
CONSUMER						
Indirect home improvement	85,954	—	—	295	—	86,249
Recreational	17,968	—	—	—	—	17,968
Automobile	2,406	—	—	10	—	2,416
Home improvement	619	—	—	32	—	651
Other	1,386	—	—	—	—	1,386
Total consumer loans	108,333	—	—	337	—	108,670
COMMERCIAL BUSINESS LOANS	72,596	—	675	194	—	73,465
Total	$271,659	$3,322	$675	$4,274	$—	$279,930

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

Troubled Debt Restructured Loans

The Company had five and three troubled debt restructured ("TDR") loans still on accrual and included in impaired loans at June 30, 2013 and at December 31, 2012, respectively. In addition, at June 30, 2013 and December 31, 2012 the Company had two and three loans on non-accrual of $807,000 and $892,000, respectively. The two non-accrual loans at June 30, 2013 consisted of one commercial real estate loan and one home equity loan. The Company had no commitments to lend additional funds on these restructured loans.

A summary of TDR loans at the dates indicated is as follows:

	June 30, 2013	December 31, 2012
Troubled debt restructured loans still on accrual	$2,360	$2,368
Troubled debt restructured loans on non-accrual	807	892
Total troubled debt restructured loans	$3,167	$3,260

The following table presents loans that became TDRs during the six months ended June 30, 2013:

	At or For the Six Months Ended June 30, 2013			
	Number of Contracts	Recorded Investment	Increase in the Allowance	Charge-offs to the Allowance
Commercial Business Loans	1	$35	$—	$35
Total	1	$35	$—	$35

During the three month period ended June 30, 2013 and June 30, 2012, the Company restructured no loans and one commercial business loan of $70,000 considered to be troubled debt restructured, respectively. No other TDRs that were modified in the previous 12 months subsequently defaulted in the reporting period.

During the six month period ended June 30, 2013, the Company restructured one loan of $35,000 considered to be troubled debt restructured which subsequently defaulted and was fully charged off during the same period. For the six month period ended June 30, 2012, the Company restructured one commercial business loan of $70,000 considered to be troubled debt restructured. No other TDRs that were modified in the previous 12 months subsequently defaulted in the reporting period.

The recorded investments in the table above are period end balances that are inclusive of all partial pay-downs and charge-offs since the modification date. Loans modified in a TDR that were fully paid down, charged off, or foreclosed upon by the period end are not included.

TDRs in the tables above were the result of interest rate modifications and extended payment terms. The Company has not forgiven any principal on the above loans.

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NOTE 4 – MORTGAGE SERVICING RIGHTS

Mortgage loans serviced for others are not included on the consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were $199.6 million and $130.5 million at June 30, 2013 and December 31, 2012, respectively. The fair market value of the mortgage servicing rights' asset at June 30, 2013 and December 31, 2012 was $2.0 million and $1.1 million, respectively. Fair value adjustments to the mortgage servicing rights were mainly due to market based assumptions associated with mortgage prepayment speeds and changes in interest rates.

The following table summarizes mortgage servicing rights activity for the three and six months ended June 30, 2013 and 2012:

	At or For the Three Months Ended June 30,	
	2013	2012
Beginning balance	$1,404	$246
Additions	494	203
Mortgage servicing rights amortized	(91)	(26)
(Impairment) recovery of loss on mortgage servicing rights	(22)	2
Ending balance	$1,785	$425

	At or For the Six Months Ended June 30,	
	2013	2012
Beginning balance	$1,064	$200
Additions	790	269
Mortgage servicing rights amortized	(169)	(47)
Recovery of loss on mortgage servicing rights	100	3
Ending balance	$1,785	$425

NOTE 5 - DERIVATIVES

The Company regularly enters into commitments to originate and sell loans held for sale. Such commitments are considered derivatives but have not been designated as hedging instruments. Rather, they are accounted for as free-standing derivatives, or economic hedges, with changes in the fair value of the derivatives reported in noninterest income. The Company recognizes all derivative instruments as either other assets or other liabilities on the consolidated balance sheet and measures those instruments at fair value.

As of June 30, 2013, the Company had fallout adjusted interest rate lock commitments with customers of $22.0 million, with a fair value of $128,000. The Company also had mandatory and best effort forward commitments with investors with a notional balance of $11.3 million, and a fair market value of $767,000, included in other assets.

The Company has established a hedging strategy to protect itself against the risk of loss associated with interest rate movements on loan commitments. The Company enters into contracts to sell forward To-Be-Announced ("TBA") mortgage-backed securities. These contracts are considered derivatives but have not been designated as hedging instruments. Rather, they are accounted for as free-standing derivatives, or economic hedges, with changes in the fair

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - DERIVATIVES (Continued)

value of the derivatives reported in noninterest income. These instruments are measured at fair value and are recognized as either other assets or other liabilities on the consolidated balance sheet.

The Company had forward TBA mortgage-backed securities of $19.5 million at June 30, 2013, with a fair value of $376,000. The Company also had TBA mortgage-backed securities forward sales that had been paired off with investors of $22.0 million, with the fair value of these pair off commitments of $753,000 at June 30, 2013 included in other assets.

Derivatives were considered to be immaterial for the year ended December 31, 2012.

NOTE 6 – OTHER REAL ESTATE OWNED

The following table presents the activity related to OREO for the three and six months ended June 30, 2013 and 2012:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Beginning balance	$1,956	$2,789	$2,127	$4,589
Additions	36	921	36	921
Fair value write-downs	(117)	(216)	(195)	(594)
Disposition of assets	(70)	(544)	(163)	(1,966)
Ending balance	$1,805	$2,950	$1,805	$2,950

At June 30, 2013, OREO consisted of four properties located in Washington, with balances ranging from $36,000 to $892,000. For the three months ended June 30, 2013 and 2012, the Company recorded no net loss, and for the six months ended June 30, 2013 and 2012, the Company recorded none and $52,000 net loss, respectively, on disposals of OREO. Holding costs associated with OREO were $16,000 and $64,000, for the three months ended June 30, 2013 and 2012, and $38,000 and $98,000, for the six months ended June 30, 2013 and 2012, respectively.

NOTE 7 – DEPOSITS

Deposits are summarized as follows as of June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
Interest-bearing checking	$23,288	$24,348
Noninterest-bearing checking	37,105	34,165
Savings	14,744	11,812
Money market	117,706	114,246
Certificates of deposits of less than $100,000[1]	41,806	40,119
Certificates of deposits of $100,000 through $250,000	43,286	43,810
Certificates of deposits of more than $250,000	22,978	20,449
Total	$300,913	$288,949

(1): Includes $16.9 million and $13.9 million of brokered deposits as of June 30, 2013 and December 31, 2012, respectively.

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FS BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – DEPOSITS (Continued)

Scheduled maturities of time deposits for future periods ending were as follows:

	As of June 30, 2013
2013	$ 23,464
2014	33,751
2015	34,212
2016	8,399
2017	4,907
Thereafter	3,337
Total	$ 108,070

The Bank pledged two securities held at the Federal Home Loan Bank ("FHLB") of Seattle with a fair value of $1.2 million to secure Washington State public deposits of $1.9 million with a collateral requirement of $117,000, at June 30, 2013.

Federal Reserve regulations require that the Bank maintain reserves in the form of cash on hand and deposit balances with the FRB, based on a percentage of deposits. The amounts of such balances at June 30, 2013 and December 31, 2012 were $1.3 million and $1.3 million, respectively and were in compliance with FRB regulations.

Interest expense by deposit category for the three and six months ended June 30, 2013 and 2012 was as follows:

	For Three Months Ended June 30,		For Six Months Ended June 30,	
	2013	2012	2013	2012
Interest-bearing checking	$ 8	$ 13	$ 16	$ 30
Savings and money market	124	146	258	310
Certificates of deposit	332	410	662	832
Total	$ 464	$ 569	$ 936	$ 1,172

NOTE 8 – INCOME TAXES

The Company recorded a provision for income taxes of $1.2 million during the six months ended June 30, 2013. There was no provision for federal income tax expense during the six months ended June 30, 2012 as the Company had concluded at that time that a full valuation allowance against its deferred tax asset of $2.9 million was required. A valuation allowance must be used to reduce deferred tax assets if it is “more likely than not” that some portion of, or all of the deferred tax assets will not be realized. During the second half of 2012, the valuation allowance on deferred tax assets of $3.2 million was entirely reversed.

At June 30, 2013, the Company had net operating loss carryforwards of approximately $2.3 million, which begin to expire in 2028. The Company files a consolidated U.S. Federal income tax return, which is subject to examinations by tax authorities for years 2009 and later. At June 30, 2013, the Company had no uncertain tax positions. The Company recognizes interest and penalties in tax expense and at June 30, 2013, the Company had recognized no interest and penalties.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – INCOME TAXES (Continued)

The Company may also be subject to certain limitations under Section 382 of the Internal Revenue Code that relates to the utilization of the net operating losses and other tax benefits following an ownership change.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Commitments – The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the Company’s commitments at June 30, 2013 and December 31, 2012 were as follows:

	June 30, 2013	December 31, 2012
COMMITMENTS TO EXTEND CREDIT		
REAL ESTATE LOANS		
Construction and development	$21,882	$27,347
One-to-four-family	31,036	19,313
Home equity	11,692	11,928
Commercial/Multi-family	538	3,241
Total real estate loans	65,148	61,829
CONSUMER LOANS		
Indirect home improvement	433	568
Other	6,255	6,225
Total consumer loans	6,688	