

# 1ST SECURITY BANK

**FS BANCORP, INC.**

## INVESTOR PRESENTATION

November 2021



**“Build a truly  
great place to  
work and bank.”**

**-FSBW Vision Statement**

## Disclosure Statement

*The information included in this presentation is confidential and may not be reproduced or redistributed, passed on or divulged, directly or indirectly, to any other person. FS Bancorp, Inc. (the "Company") reserves the right to request the return of this presentation at any time.*

## Forward Looking Statements

*This presentation may contain forward-looking statements within the meaning within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements often include the words or phrases "believe," "will," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "plans," or similar expressions. Forward looking statements are not historical facts but instead represent management's current expectations and forecasts regarding future events, many of which are inherently uncertain and outside of our control. Actual results may differ, possibly materially, from those currently expected or projected in these forward-looking statements.*

*Factors that could cause the Company's actual results to differ materially from those described in the forward-looking statements, include but are not limited to, the following: the effect of the COVID19 pandemic, including on FS Bancorp, Inc. (the "Company") credit quality and business operations, as well as its impact on general economic and financial market conditions and other uncertainties resulting from the COVID-19 pandemic, such as the extent and duration of the impact on public health, the U.S. and global economies, and consumer and corporate customers, including economic activity, employment levels and market liquidity; increased competitive pressures; changes in the interest rate environment; changes in general economic conditions and conditions within the securities markets, including as a result of the COVID-19 pandemic; the Company's ability to execute its plans to grow its residential construction lending, mortgage banking, and warehouse lending operations, and the geographic expansion of its indirect home improvement lending; secondary market conditions for loans and the Company's ability to originate loans for sale and sell loans in the secondary market; legislative and regulatory changes; and other factors described in the Company's latest Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other filings with the SEC which are available on its website at [www.fsbwa.com](http://www.fsbwa.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov), all of which could cause actual results to differ from those set forth in the forward-looking statements.*

*There can be no assurance that other factors not currently anticipated by us will not materially and adversely affect our business, financial condition and results of operations. Furthermore, many of these risks and uncertainties are currently amplified by and may continue to be amplified by or may, in the future, be amplified by, the recent outbreak of the COVID-19 pandemic.*

*Any of the forward-looking statements that the Company makes in this presentation and in the other public statements are based upon management's beliefs and assumptions at the time they are made and may turn out to be incorrect because of the inaccurate assumptions the Company might make, because of the factors illustrated above or because of other factors that cannot be foreseen by the Company. Therefore, these factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements. The Company does not undertake and specifically disclaim any obligation to revise any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements except as required by securities laws. These risks could cause the Company's actual results for 2021 and beyond to differ materially from those expressed in any forward-looking statements made by, or on behalf of the Company and could negatively affect its operating and stock performance.*

## FRANCHISE OVERVIEW

- **Total Assets:** \$2.22 billion (at September 30, 2021)
- **Headquartered:** Mountlake Terrace, WA
- **Branches:** 23\*
- **Loan Production Offices:** 11
- **ATM Locations:** 25
- **Year Established:** 1936
- **Quarterly Dividend:** \$0.15\*\*

\* Including headquarters and drive through banking in Aberdeen, WA  
 \*\*35th Consecutive Quarterly Dividend Announced

-  **1st Security Bank Branches**  
 Aberdeen, Capitol Hill, Centralia, Edmonds, Elma, Hadlock, Lacey, Lynnwood, Mill Creek, Montesano, Ocean Shores, Olympia, Overlake, Port Angeles, Port Townsend, Puyallup, Puyallup South Hill, Sequim, Silverdale, Westport
-  **Home Lending**  
 Aberdeen, Bellevue, Everett, Lacey, Mill Creek, Mountlake Terrace, Olympic Peninsula, Port Orchard, Puyallup, Puyallup, Tri-Cities
-  **Commercial Lending**  
 Mountlake Terrace, Tacoma
-  **Administrative Center**  
 Mountlake Terrace



### CULTURE & HISTORY

Vision

Build a truly great place to work and bank

Mission

Live our Core Values and 'WOW' each other and our customers every day

Guiding Principles

Employ smart, driven, and nice people

Emphasis on collaboration

Best idea wins

Jim Collins' Good-to-Great Lessons

Founded in 1936 as a credit union

Converted to a stocksavings bank on July 9, 2012

Raised \$27.6M in Capital (\$25.7M net) w/secondary offering

Announced thirty-fifth consecutive quarterly cash dividend of \$0.15 per share

Converted to a state chartered mutual savings bank on April 1, 2004

Completed a four branch acquisition in Q1 2016 resulting in \$186.0M in new relationship based deposits

Completed Anchor Bancorp acquisition on November 15, 2018

1936

2004

2012

2016

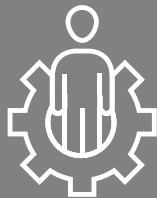
2017

2018

2021

## 1ST SECURITY BANK

Consumer  
Lending



Business  
Lending



Home Lending



Commercial  
Real Estate  
Lending



Retail  
Branches and  
Commercial  
Cash  
Management



The Five Pillars of 1SB

## LONG TERM STRATEGIC PLAN

- Continued expansion of our commercial business lending programs
- Increase in-house originations of residential mortgage loans which are primarily sold into the secondary market through the mortgage banking platform
- Remain focused on maintaining and improving asset quality
- Continue to emphasize lower cost core deposits to reduce the costs of funding growth
- Offer a wide range of products and services to meet our customers' banking needs
- Expand into new markets based on current product offerings

## Environmental | Social | Governance

*FSBW's Core Values reflect our commitment to diversity, equality, inclusiveness and social awareness. To further our commitment of these values, our Governance and Nominating Committee expanded our scope and became the Nominating and Environmental, Social, Governance Committee in 2020. A copy of our Core Values, Business Philosophy, Vision and Mission Statements are available on our website at [www.FSBWA.com](http://www.FSBWA.com).*



### ENVIRONMENTAL

- Most recently-built branch is a LEED certified building (Montesano)
- We finance energy efficient home improvement projects including solar, efficient window replacement, siding and roofing
- Low flow faucets throughout our facilities; light and movement sensors installed in many locations turn off lights in unoccupied areas
- Recycling in all locations where permitted by the public utility
- Commitment to paperless processes
- Remote work environments to reduce commutes in traffic/pollution



### SOCIAL










- Minimum wage increased to \$20/hour “Livable Wage” for all employees effective July 2021
- Health insurance cost increases absorbed by the company since 2014
- Provide 16 hours of paid volunteer time for all employees
- Provided an employee education loan forgiveness program of up to \$5,000 in 2020, with the CARES Act
- Offer a \$5,000 annual tuition reimbursement program to employees
- Financial and volunteer support of The IF Project, which assists soon-to-be released inmates prepare for life after incarceration



### GOVERNANCE

- Independent Board Chair
- Seven of eight directors are independent
- Board committees are comprised entirely of independent directors
- Independent directors meet in regular executive sessions throughout the year
- Board and committees perform self-evaluations on a regular basis
- Policy restricts hedging of stock
- Alignment of director and shareholder interests
- Use of claw back provisions in executive pay

## EXECUTIVE MANAGEMENT

	Name	Position	Years with 1st Security Bank	Years in Industry
	Joseph Adams	Chief Executive Officer	18	20+
	Erin Burr	EVP, Chief Risk Officer	12	20+
	Matthew Mullet	EVP, Chief Financial Officer	10	20+
	Kelli Nielsen	EVP, Retail Banking & Marketing	5	25+
	Robert Fuller	EVP, Chief Credit Officer	8	30+
	Lisa Cleary	EVP, Chief Operating Officer	1	20+
	Dennis O'Leary	EVP, Chief Lending Officer	10	30+
	Vickie Jarman	EVP, Chief Human Resources Officer	19	15+
	Donn Costa	EVP, Home Lending Production	10	30+



## LARGEST SNOHOMISH COUNTY BANK

Banks Headquartered in Snohomish County: December 31, 2008  
Total Assets \$9.4B

Banks Headquartered in Snohomish County: September 30, 2021  
Total Assets \$5.9B



As of September 30, 2021,  
largest bank headquartered in  
Snohomish County



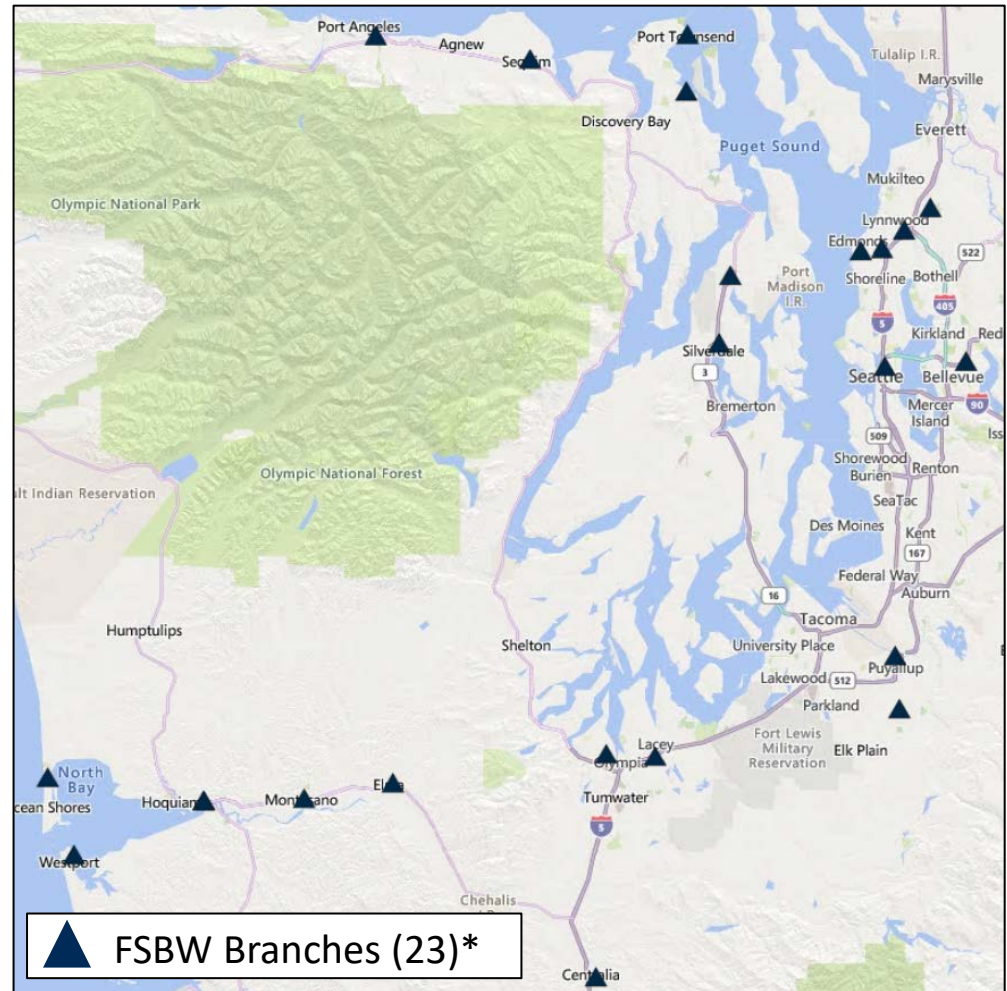
\*Denotes a financial institution no longer headquartered in Snohomish County  
Note: Dollar amount are for assets  
Source: FFIEC Central Data Repository's Public Bank Data Distribution website & S&P Global Market Intelligence

## DEPOSIT FRANCHISE & BRANCH FOOTPRINT

### County Deposits & Demographics (9/30/21)

County	Market Rank	Number of Branches	Deposits In Market (\$000)	Deposit Market Share (%)	% of Franchise
Snohomish	7	4	817,270	4.7%	43.2%
Grays Harbor	3	6	228,877	18.2%	12.1%
Clallam	3	2	217,396	8.3%	11.5%
King	22	2	184,433	0.2%	9.7%
Jefferson	2	2	165,548	19.9%	8.7%
Pierce	17	2	97,355	0.6%	5.1%
Thurston	13	2	90,199	1.6%	4.8%
Kitsap	12	2	56,923	1.3%	3.0%
Lewis	9	1	34,925	2.5%	1.8%
<b>Total</b>			<b>1,892,926</b>		

County	2021		2021-2026 Projected	
	Total Population	Median HH Income (\$)	Population Change (%)	HH Income Change (%)
Snohomish	841,173	95,185	17.9%	12.8%
Grays Harbor	75,963	51,695	4.3%	8.8%
Clallam	78,293	61,183	9.6%	13.7%
King	2,298,351	105,018	19.0%	13.7%
Jefferson	32,743	63,086	9.6%	9.3%
Pierce	920,730	82,380	15.8%	14.8%
Thurston	296,606	80,139	17.6%	13.4%
Kitsap	275,742	85,534	9.8%	13.7%
Lewis	81,841	62,769	8.5%	13.6%
<b>Total</b>	<b>4,901,442</b>			
<b>Washington</b>	<b>7,765,146</b>	<b>81,728</b>	<b>6.3%</b>	<b>13.0%</b>
<b>United States</b>	<b>330,946,040</b>	<b>67,761</b>	<b>2.9%</b>	<b>9.0%</b>



Source: S&P Global Market Intelligence; Deposit data as of September 30, 2021

\*Including headquarters and drive through banking in Aberdeen, WA

## RESPONSE TO THE COVID-19 PANDEMIC

- Participating in the Paycheck Protection Program (“PPP”) with 171 funded loans outstanding as of September 30, 2021, totaling \$38.3 million for borrowers in the communities we serve.
- As of September 30, 2021, PPP loan balances totaling \$88.6 million were submitted for approval and forgiven by the Small Business Administration (“SBA”).
- Since the start of the pandemic, we have provided payment relief for 414 portfolio borrowers that hold \$79.2 million in balances as of September 30, 2021. Of the \$79.2 million, \$12.3 million remain and are making interest only payments.
- Allowing the borrower up to 90 day loan payment deferments or a period of interest only payments, and, on a more limited basis waived extension fees, late fees and/or suspended foreclosure proceedings are the primary methods of relief.
- Serving our communities by having all of our branches open and continue to remain flexible as to branch operations based on the guidance provided for the communities in which we operate. The majority of our staff continue to work remotely, where feasible.

## PANDEMIC IMPACT

### PPP Lending Activity by Sector

Loan Type	Loan Dollars	# of Loans	Avg. Loan Size	% of Category
<b>Retail</b>				
<= \$150M	\$ 3,449,455	98	\$ 35,199	84%
> \$150M	9,210,296	19	484,752	16%
<b>Total Retail</b>	<b>\$ 12,659,751</b>	<b>117</b>	<b>\$ 108,203</b>	<b>100%</b>
<b>Commercial</b>				
<= \$150M	\$ 1,808,826	20	\$ 90,441	37%
> \$150M	23,795,328	34	699,863	63%
<b>Total Commercial</b>	<b>\$ 25,604,154</b>	<b>54</b>	<b>\$ 474,151</b>	<b>100%</b>
<b>Retail + Commercial</b>				
<= \$150M	\$ 5,258,281	118	\$ 44,562	69%
> \$150M	33,005,624	53	622,748	31%
<b>Total Retail + Commercial</b>	<b>\$ 38,263,904</b>	<b>171</b>	<b>\$ 223,766</b>	<b>100%</b>
<b>Total PPP Loans Forgiven*</b>	<b>\$ 88,583,728</b>	<b>630</b>	<b>\$ 140,609</b>	

#### PPP Summary

- 171 active PPP loans granted (117 retail / 54 commercial)
- \$38.3 million of aggregate PPP loans issued-outstanding (33% retail / 67% commercial)
- Overall average loan size of \$223,766
- \$850,709 of net unamortized fees as of September 30, 2021
- As of September 30, 2021, 630 PPP loans totaling \$88.6 million have been forgiven by the SBA

\* Note: Loan forgiveness data as of September 30, 2021.

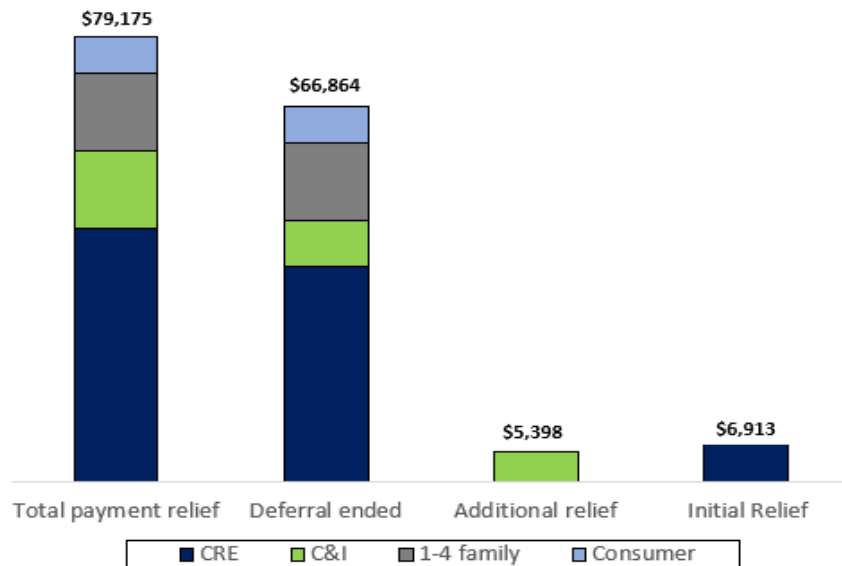
### Commercial COVID-19 Risk Industries: September 30, 2021

At-Risk Industry	Watch	Special Mention	Substandard	Total Loan Dollars
Hospitality	\$ 16,051,395	\$ 136,104	\$ -	\$ 16,187,499
Other	1,589,638	914,394	1,950,059	4,454,091
Food and beverage	3,689,698	1,473,867	1,436,865	6,600,430
Manufacturing	602,017	0	0	602,017
Transportation	0	0	4,487,206	4,487,206
Construction and development	29,158	0	2,741,555	2,770,713
Retail	0	0	1,736,297	1,736,297
<b>Total</b>	<b>\$ 21,961,906</b>	<b>\$ 2,524,365</b>	<b>\$ 12,351,982</b>	<b>\$ 36,838,253</b>

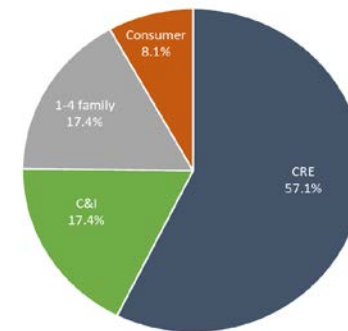
***FSBW closely monitors all exposure to industries at heightened risk of economic deterioration due to the COVID-19 pandemic***

## RESPONSE TO THE COVID-19 PANDEMIC

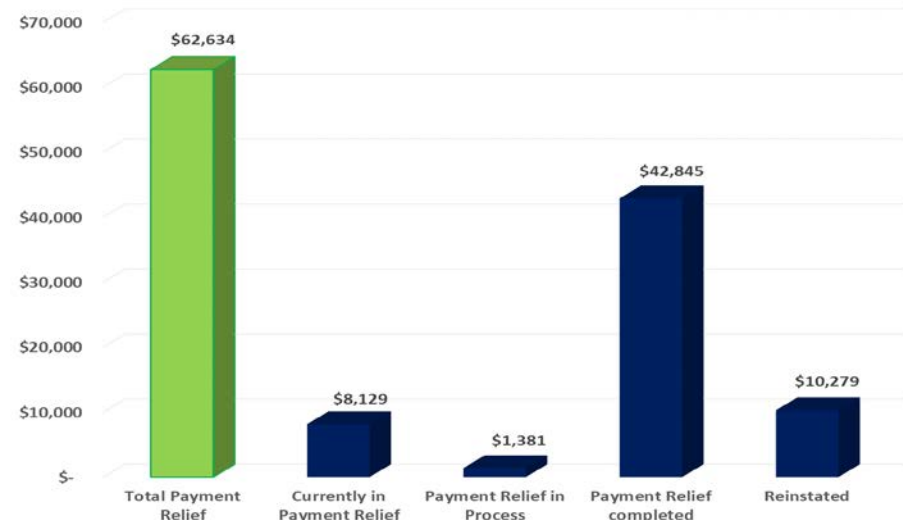
### COVID Payment Relief (\$000's) September 30, 2021



### Relief Loans by Category



### Payment Relief for Loans Serviced for Others (in \$000's)



Segment	Total payment relief	Deferral ended	Additional relief	Initial Relief
CRE	\$ 45,216	\$ 38,303	\$ -	\$ 6,913
C&I	13,740	8,342	5,398	0
1-4 family	13,774	13,774	0	0
Consumer	6,445	6,445	0	0
<b>Total</b>	<b>\$ 79,175</b>	<b>\$ 66,864</b>	<b>\$ 5,398</b>	<b>\$ 6,913</b>

Note: Excludes loans which have paid off as of September 30, 2021

**Significant reduction in remaining deferrals**



\* Note: The remaining loans in deferral are interest only payments; \$12.3 million or 100.0%

### THIRD QUARTER 2021 HIGHLIGHTS

#### Financial Highlights Q3 2021

- Total assets of \$2.2 billion
- Gross portfolio loans of \$1.7 billion
- Net income of \$8.3 million

#### Q3 2021 \*

- Diluted earnings per share of \$0.97
- Tangible book value per share of \$28.97<sup>(1)</sup>
- Announced thirty-fifth consecutive quarterly cash dividend (\$0.15)

#### Selected Performance Ratios

- ROAA of 1.49%
- ROAE of 13.82%
- Net Interest Margin of 4.23%
- Efficiency Ratio of 64.46%

#### Credit Quality Ratios

- Non-performing Assets (NPAs) as a percentage of total assets of 0.27%
- Allowance for Loan Losses as a percentage of gross portfolio loans of 1.57%<sup>(2)</sup>
- Allowance for Loan Losses as a percentage of gross portfolio loans excluding PPP loans of 1.61%

#### Capital Position

- Currently, all Bank Holding Company (BHC) and Bank ratios are above those to be considered “Well-Capitalized”, with a Community Bank Leverage Ratio (“CBLR”) of 11.9% as of September 30, 2021

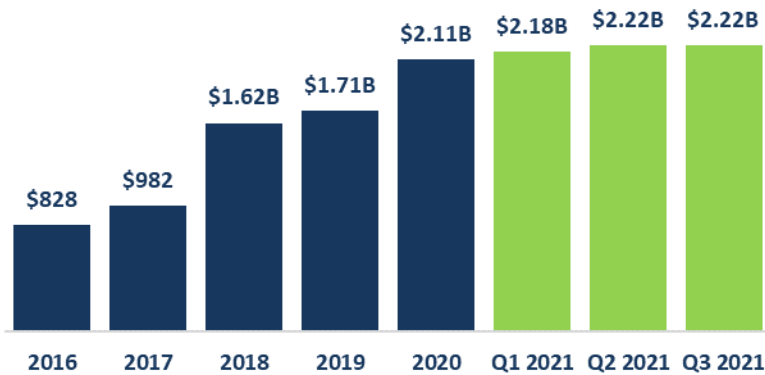
\* All share data throughout this presentation has been adjusted to reflect the two-for-one stock split announced June 25, 2021, and issued July 14, 2021, to shareholders of record on July 6, 2021

(1) Non-GAAP financial measures. See appendix for reconciliation to book value per share (GAAP)

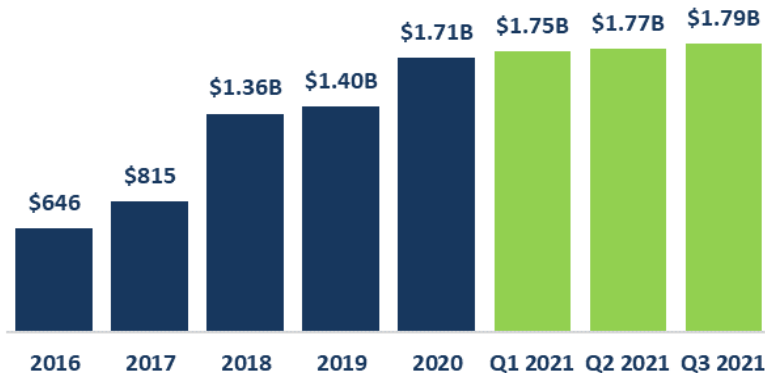
(2) Note: Gross loans include Anchor loans “net” of fair value discount of \$868,000

## FRANCHISE GROWTH

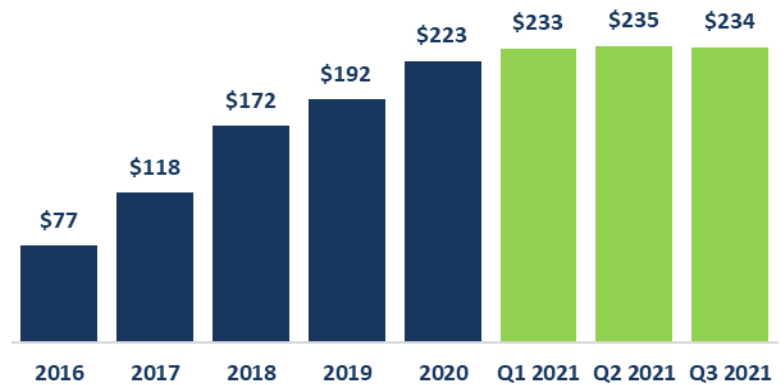
### Total Assets (\$B)



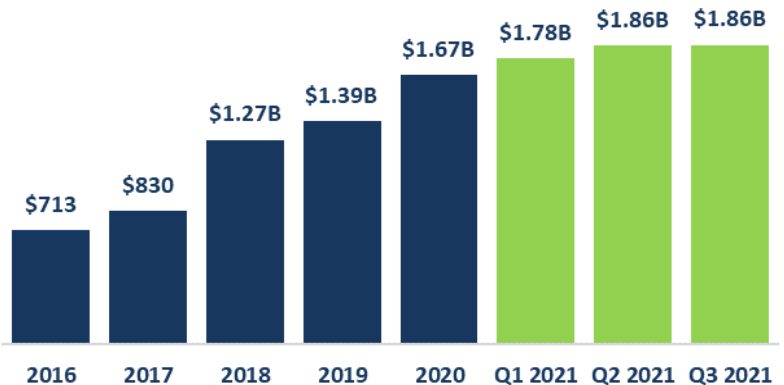
### Total Net Loans (\$B)



### Tangible Common Equity (\$M)<sup>(1)</sup>



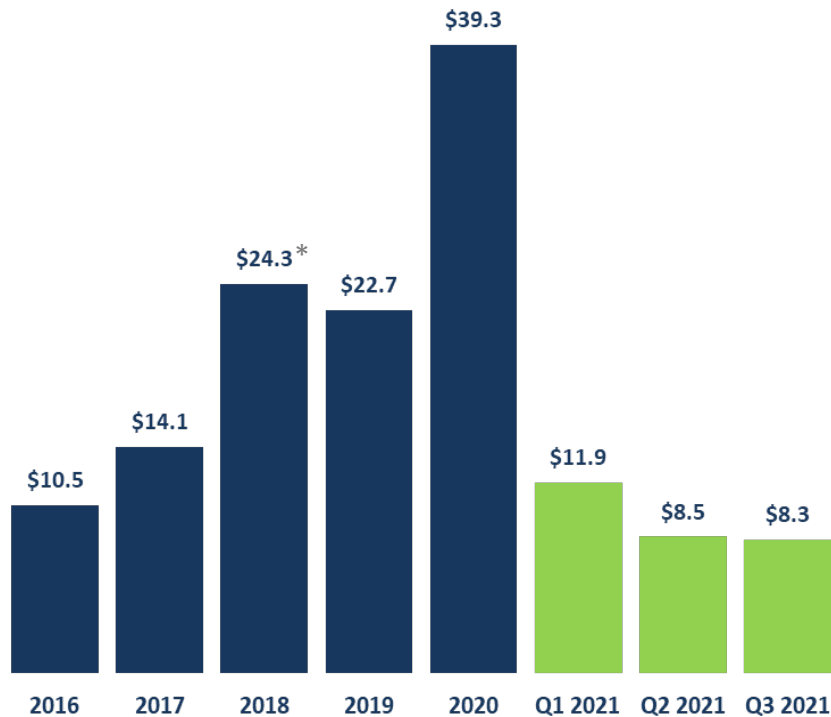
### Total Deposits (\$B)



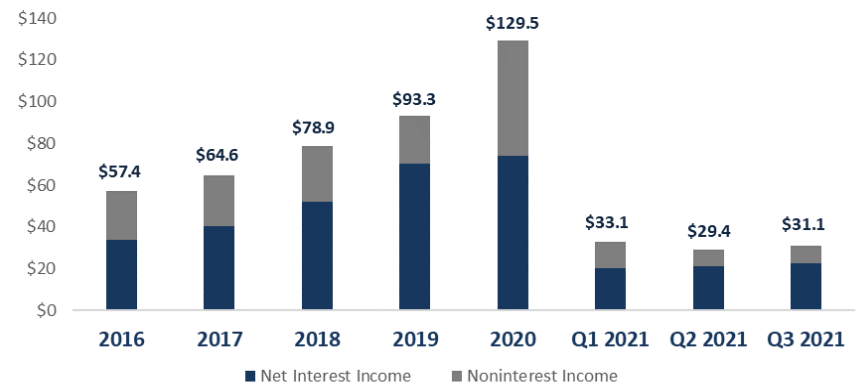
(1) Non-GAAP financial measure

## INCOME STATEMENT TRENDS

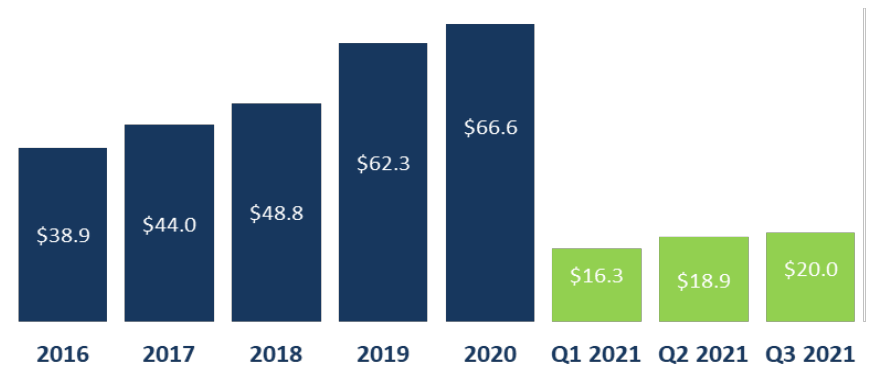
### Net Income (\$M)



### Total Revenues (\$M)



### Total Noninterest Expense (\$M)

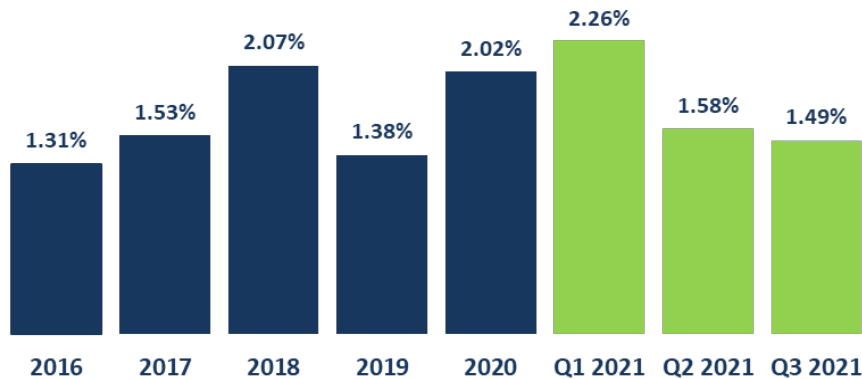


\*Includes \$7.4 million in Bargain Purchase Gain (BPG)

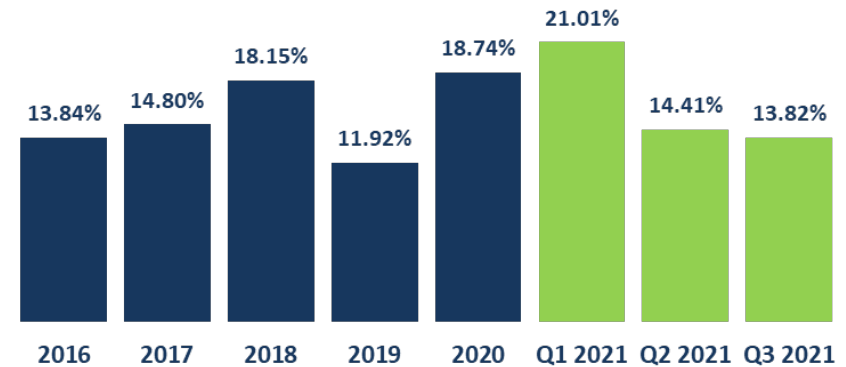


## SELECTED PERFORMANCE RATIO TRENDS

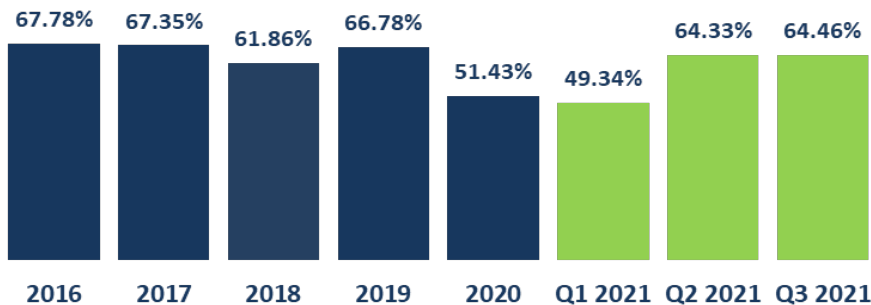
### ROAA



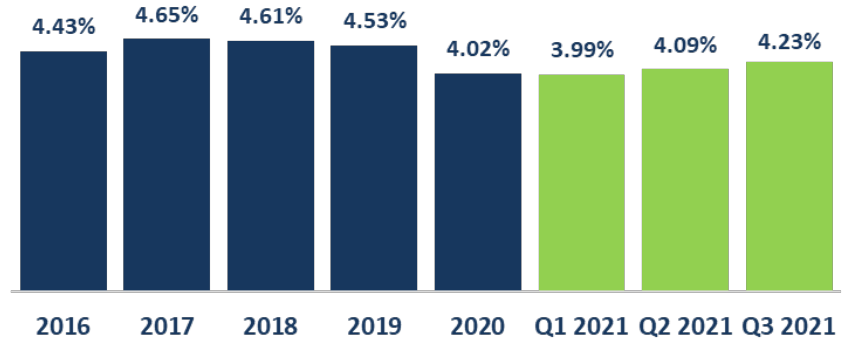
### ROE



### Efficiency Ratio

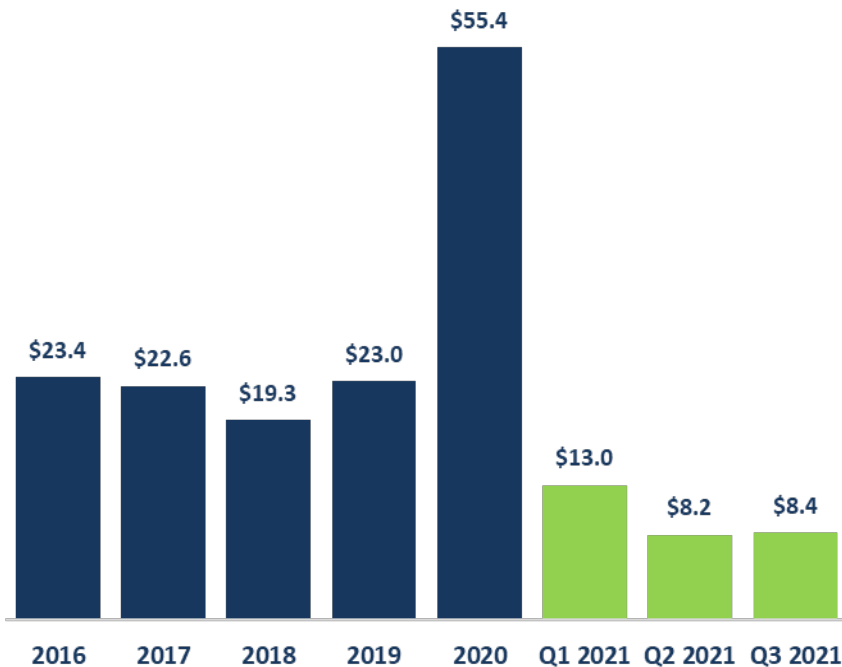


### Net Interest Margin

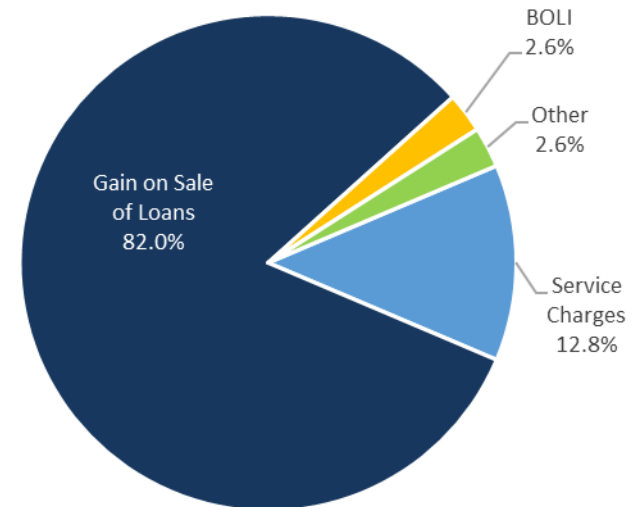


## NONINTEREST INCOME

Noninterest Income (\$M)



Noninterest Income Composition<sup>(1)</sup>

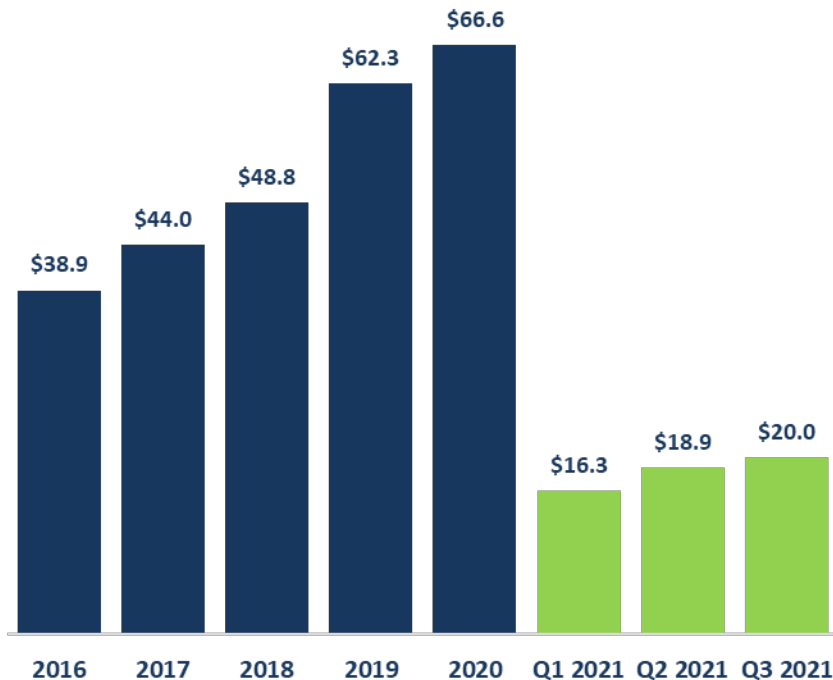


Note: In 2020, noninterest income year-over-year growth due in part to increased gain on sale revenue resulting from low interest rate environment.

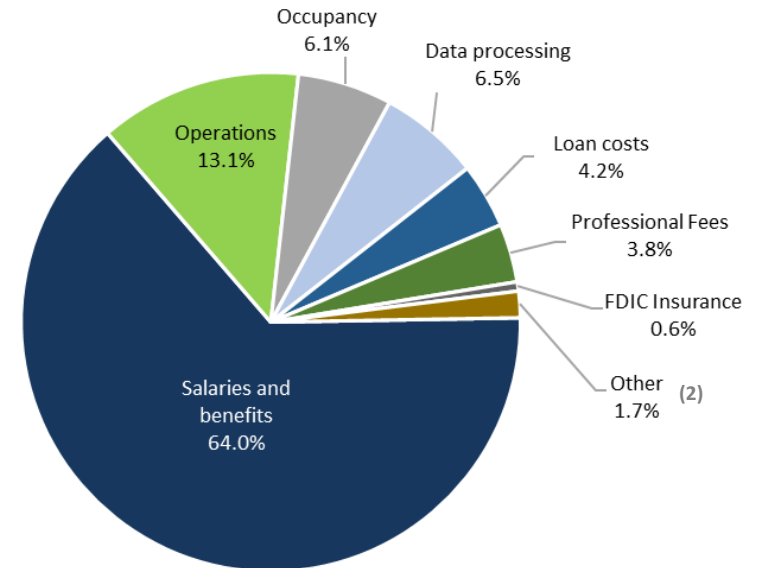
(1) Quarter ended September 30, 2021

## NONINTEREST EXPENSE

Noninterest Expense (\$M)



Noninterest Expense Composition<sup>(1)</sup>

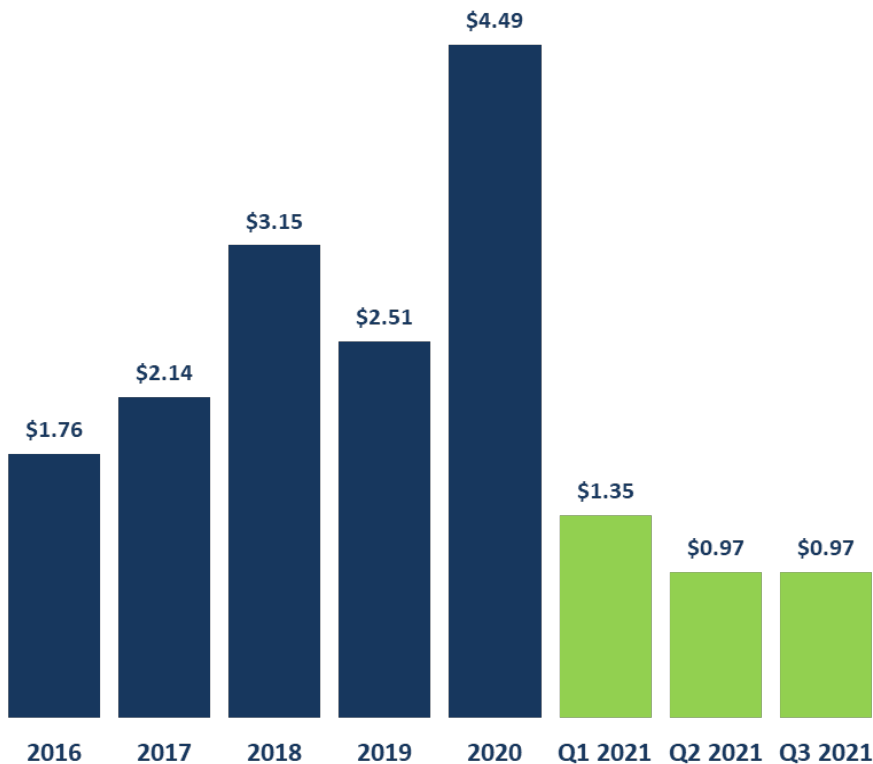


(1) Quarter ended September 30, 2021

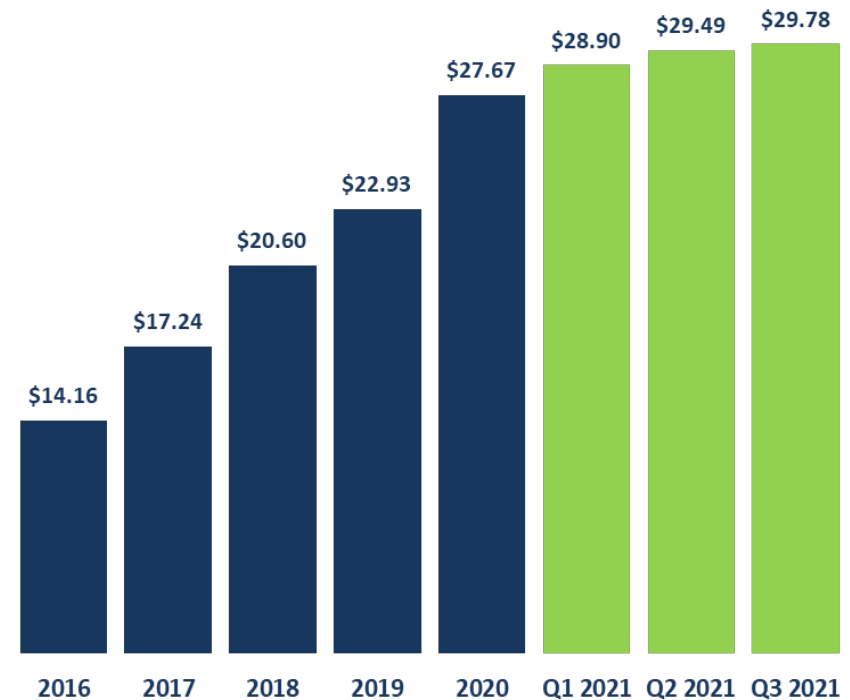
(2) Other = marketing and advertising, amortization of core deposit intangible and recovery on servicing rights

## BUILDING STOCKHOLDER VALUE

Diluted Earnings Per Share

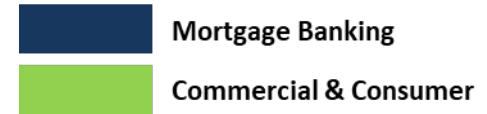


Reported Book Value Per Share

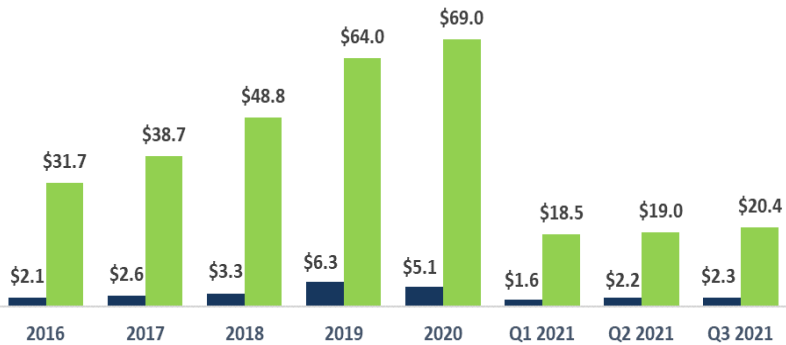


Note: Share data has been adjusted to reflect the two-for-one stock split effective July 14, 2021.

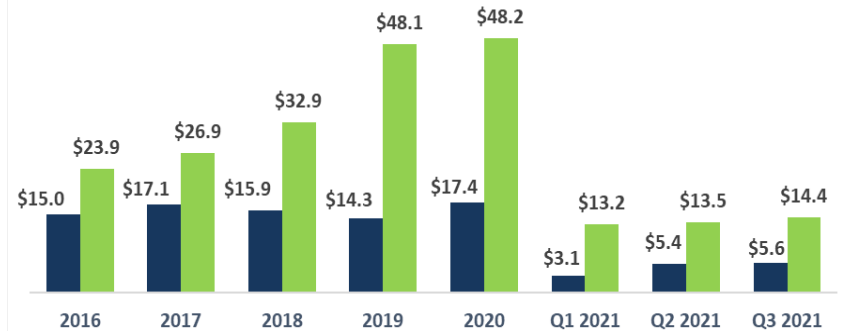
## SEGMENT REPORTING ANALYSIS



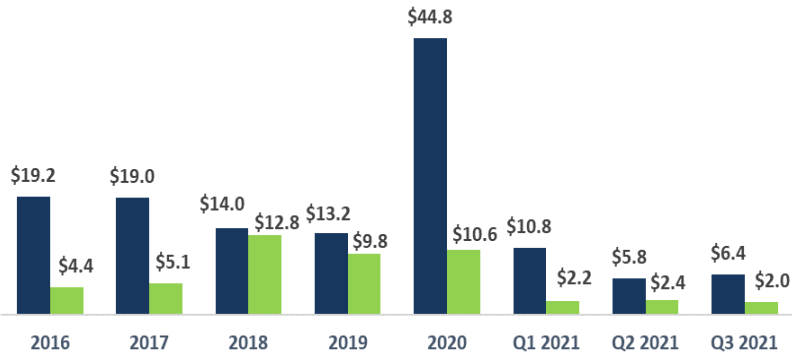
### Net Interest Income



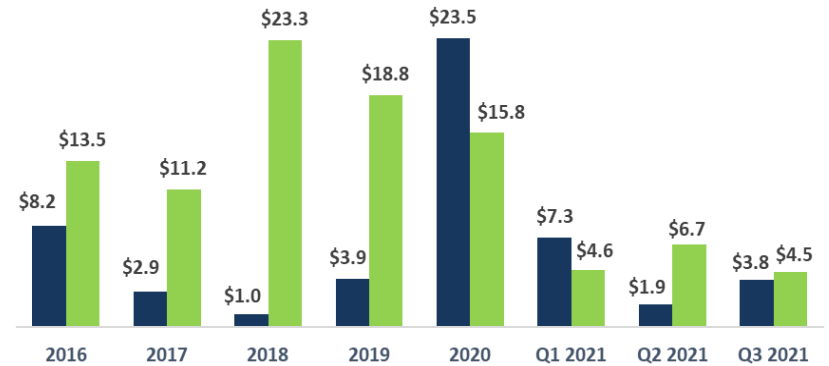
### Noninterest Expense



### Noninterest Income



### Net Income

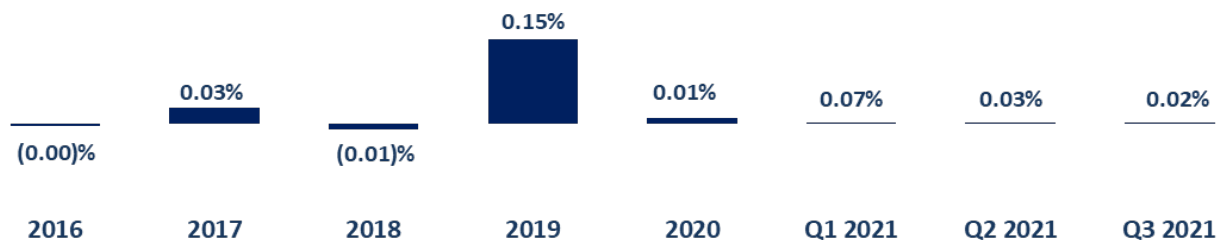


Note: Dollar amounts in millions

### DISCIPLINED CREDIT CULTURE

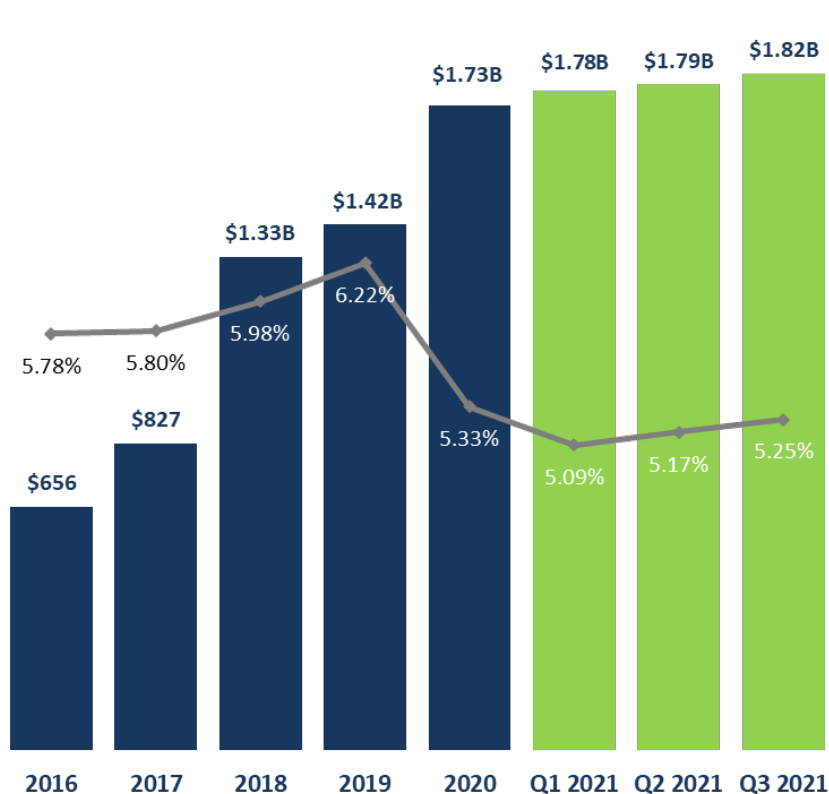
- The company employs Board and Committee oversight and reporting, with the Chief Risk Officer and senior executive compliance officer reporting directly to the Audit Committee
- FSBW has a disciplined underwriting approach with generally standard LTV and DSC coverage requirements with firm concentration limits and designated focused lending channels
  - Construction and Development (C&D) Weighted Average LTV = 62.7% (as of September 30, 2021)
  - Commercial Real Estate (CRE) Weighted Average LTV= 57.1% (as of September 30, 2021)
- Loans greater than \$5 million are reported to the Asset Quality Committee, while loans between \$15 million and \$25 million require approval from the Senior Loan Committee
- The legal lending limit is \$57.5 million while the in-house limit is \$25 million
- The CRE and C&D portfolios are stressed on a quarterly basis with a third party review of the commercial portfolio conducted on an annual basis

#### Historical NCOs / Avg. Loans



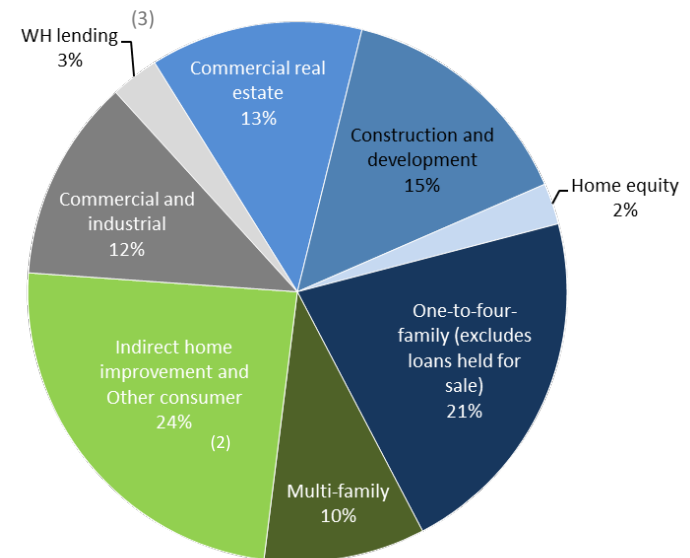
## LOAN PORTFOLIO SUMMARY

### Gross Loans and Loan Yield (\$B) <sup>(1)</sup>



### Loan Composition at September 30, 2021

Total Gross Loans (excl. loans HFS): \$1.7B



(1) Loans, net of deferred fees, costs, and includes held for sale

(2) Other consumer includes marine loans

(3) WH = Warehouse

## HOME LENDING

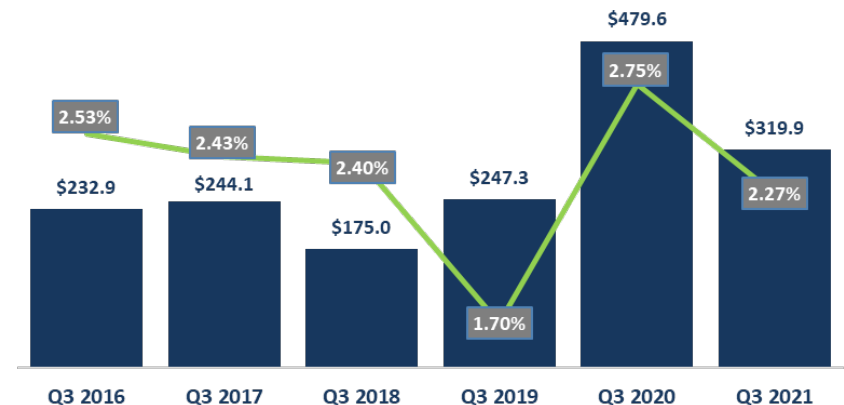
### Highlights at September 30, 2021

- One-to-four-family loans originated decreased \$209.4 million, or 35.5%, to \$380.5 million, compared to \$589.9 million for the quarter ended September 30, 2020
- Loan Sales: \$319.9 million
- Purchase production was 64.0% of one-to-four-family loan originations versus 36.0% for refinance production
- Purchase activity was up 36.0% year over year

### Mortgage Servicing at September 30, 2021

- Servicing unpaid principal balance: \$2.5 billion and 8,155 loans
- Q3 2021 notional servicing: \$133.9 million

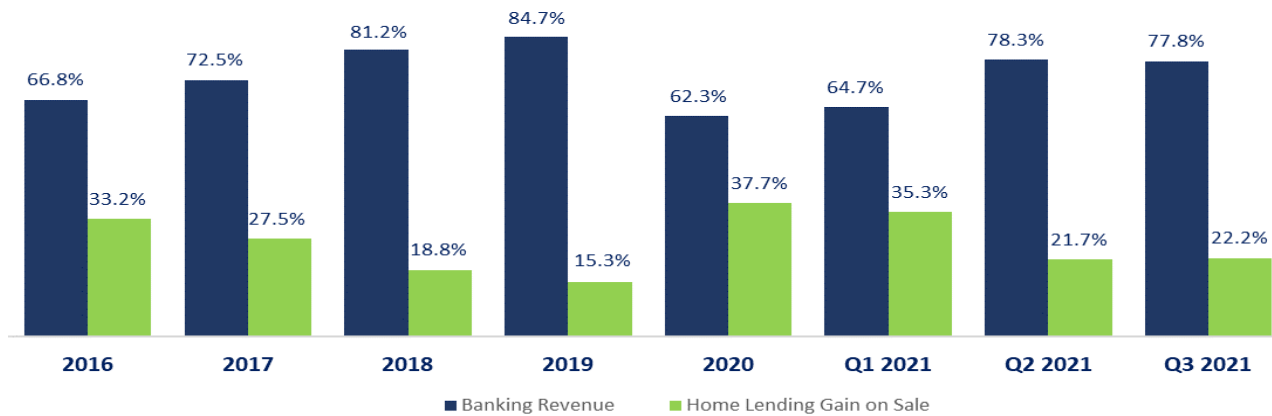
### Quarterly Closed Volume (\$M) & Cash Margin on Loans



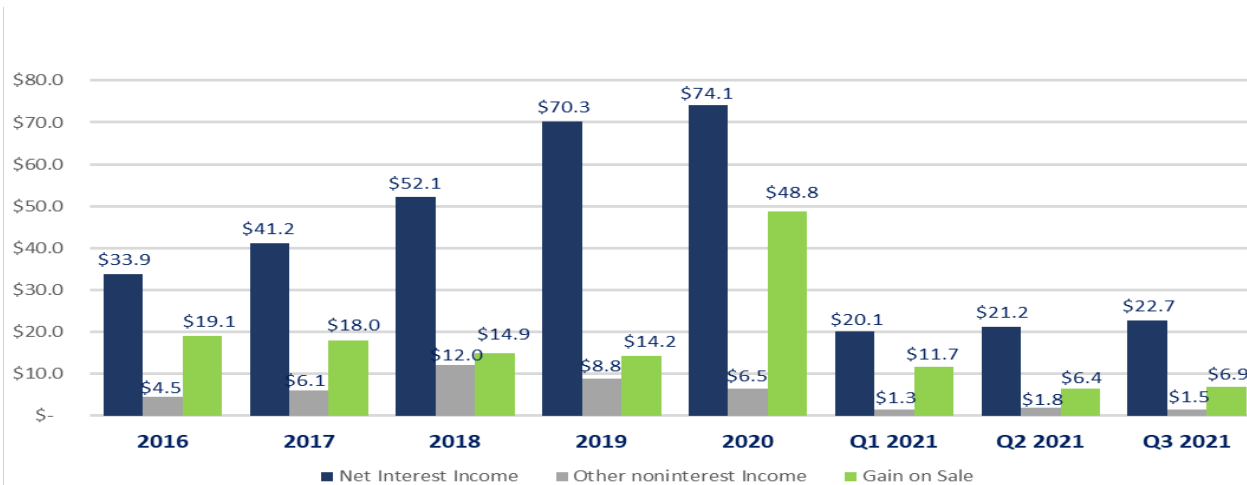
Note: Quarterly closed volume is listed in millions



## Home Lending Gain on Sale Revenue as a Percentage of Total Revenue



## Total Revenues (\$M)

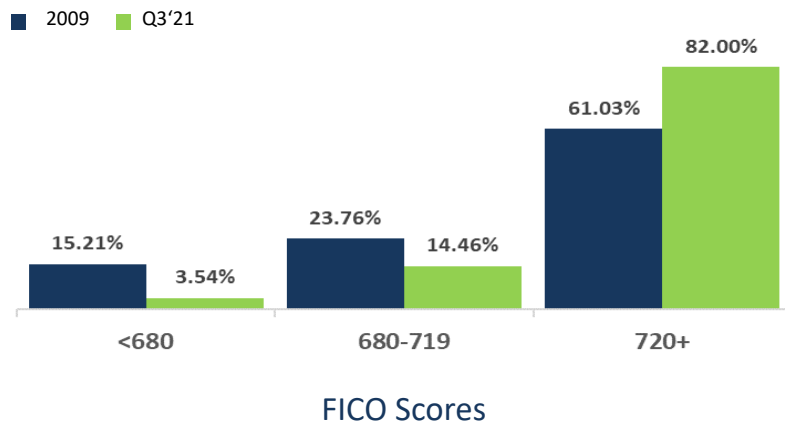


## CONSUMER LENDING

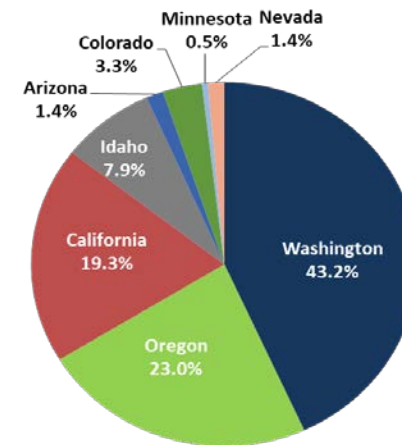
### Q3 2021 Highlights

- Primarily home improvement and marine, UCC-2 or title secured
- Offered on an indirect basis and largely automated (with underwriter verification)
- \$412.6 million outstanding as of Q3 2021
  - \$68 million in dealer originations
  - \$45 million, or 63%, with the top 10 dealers
  - Average yield of 6.85%, down from 6.87% in Q2 2021

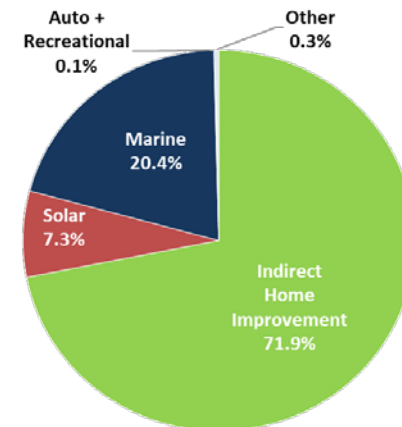
### 2009 vs. Q3 2021 Portfolio Credit Quality



### Q3 2021 Dealer Production by State



### Consumer Portfolio Characteristics



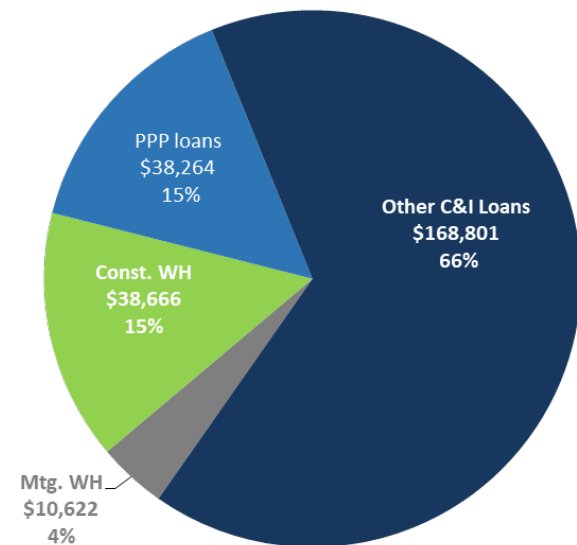
## COMMERCIAL BUSINESS LENDING

### Q3 2021 Commercial & Industrial (C&I)

- C&I commitments: \$427.1 million
- Outstanding balances were \$256.4 million at September 30, 2021 relative to \$296.4 million at June 30, 2021
- The \$40.0 million of quarter over sequential quarter decrease in outstanding balances was largely attributed to CARES Act Forgiveness exceeding organic loan growth at the end of the quarter, in addition to a reduction in WH lending
- CARES Act forgiveness and payment activity reduced the C&I balance by \$35.0 million in the third quarter

### Q3 2021 Product Mix (\$M)

**Outstanding C&I Balance: \$256.4 million**

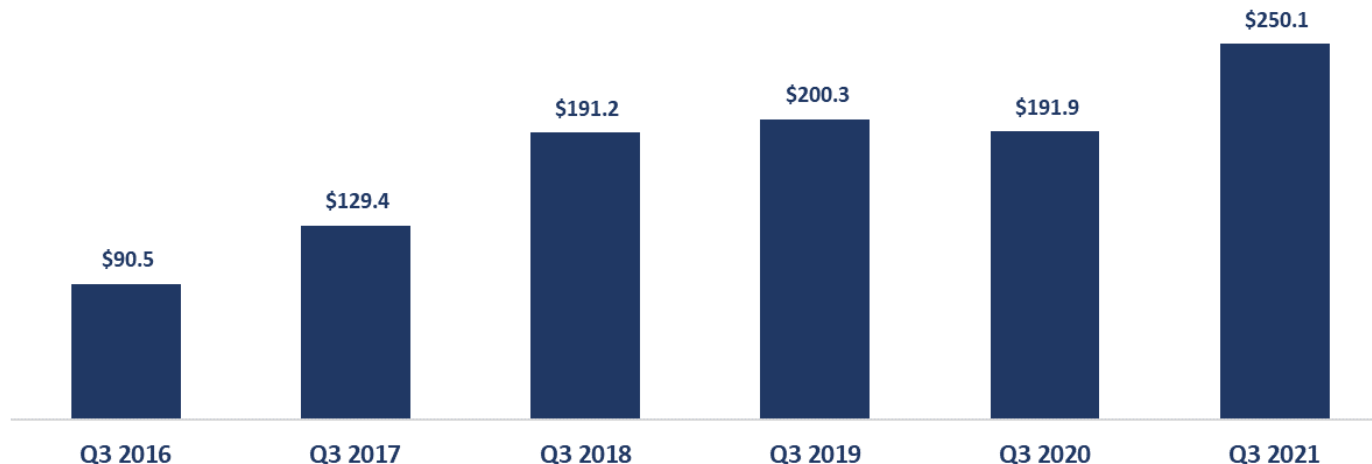


### CONSTRUCTION & DEVELOPMENT LENDING

#### Q3 2021 Highlights

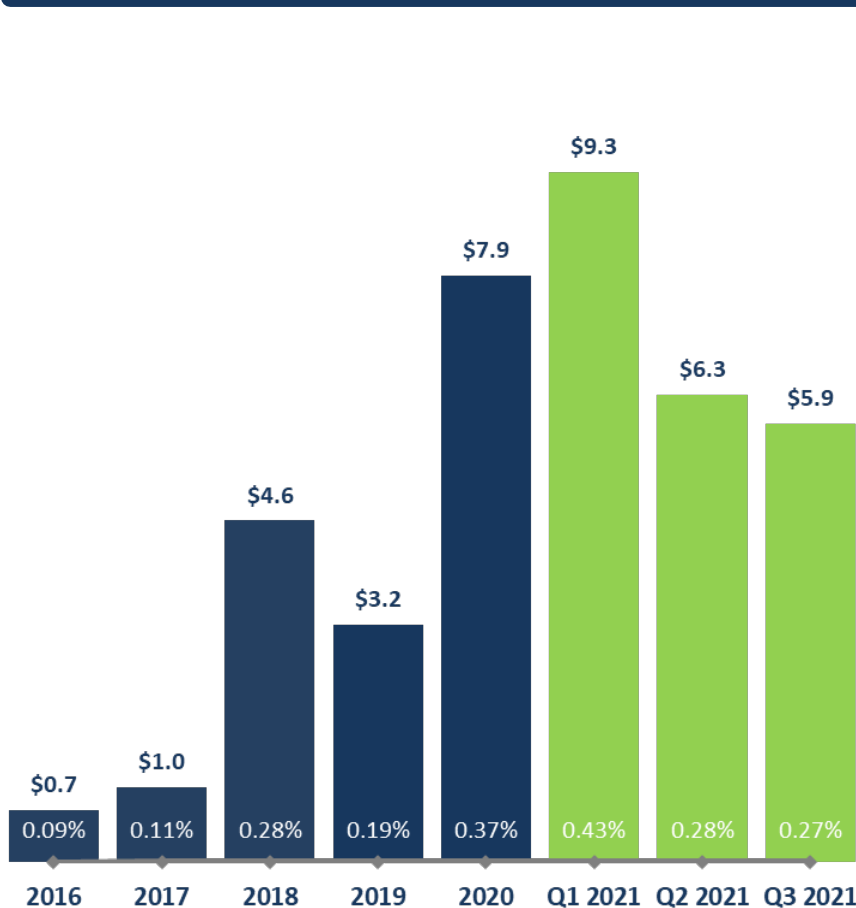
- Overall construction: \$431.5 million committed / \$250.1 million outstanding
- Growth in custom owner-occupied & manufactured homes under construction
  - Custom/Manufactured Housing are \$47.8 million committed / \$25.5 million outstanding
- 5.06% average coupon rate
- Majority of originations in King County
- Focus on "in-city", infill speculative lending to a select group of relationship customers

#### Quarterly C&D Loans Outstanding (\$M)



## ASSET QUALITY

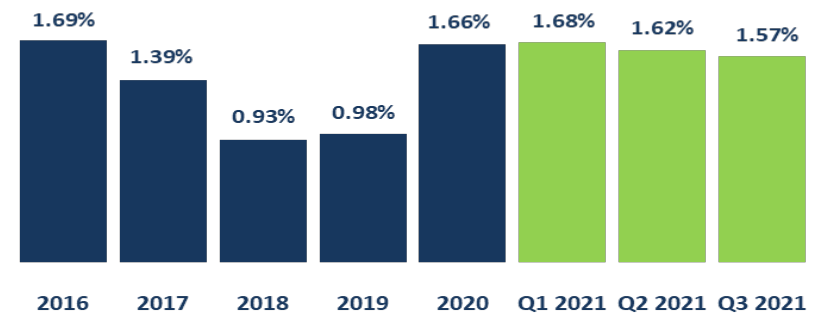
### Non-performing Assets (\$M)<sup>(1)</sup> & NPAs/ Assets



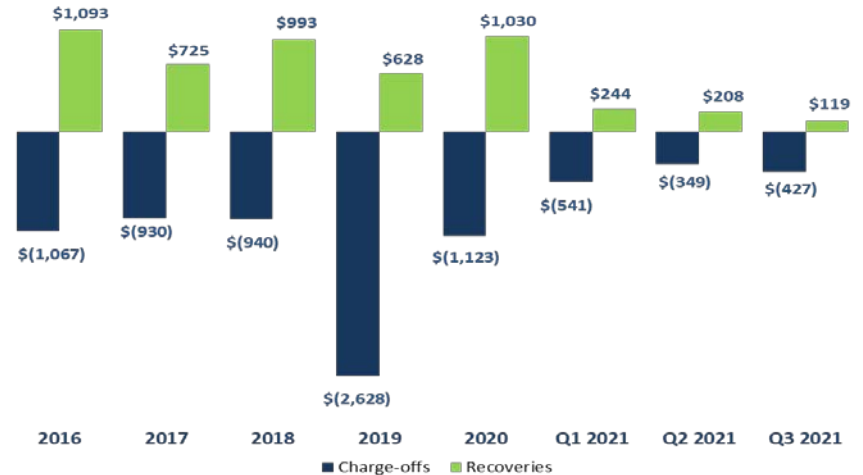
(1) Non-performing Assets consists of non-performing loans (which include non-accruing loans and accruing loans more than 90 days past due), foreclosed real estate and other repossessed assets

(2) Excluding HFS loans

### Reserves/Gross Loans<sup>(2)</sup>



### Charge-offs & Recoveries (\$000's)

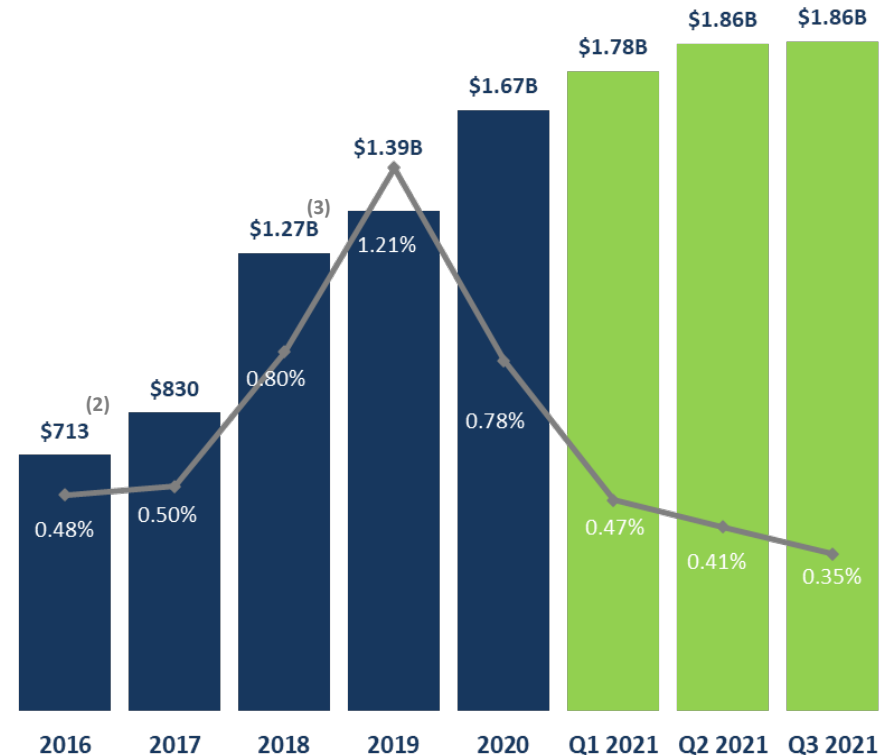
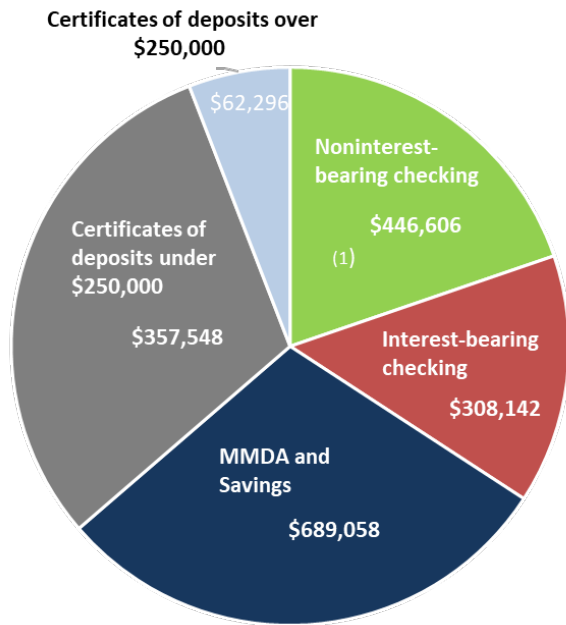


## DEPOSIT COMPOSITION AND GROWTH

September 30, 2021

Total Deposits (\$B) and Cost of Deposits (%)

**Total Deposits: \$1.9 billion**

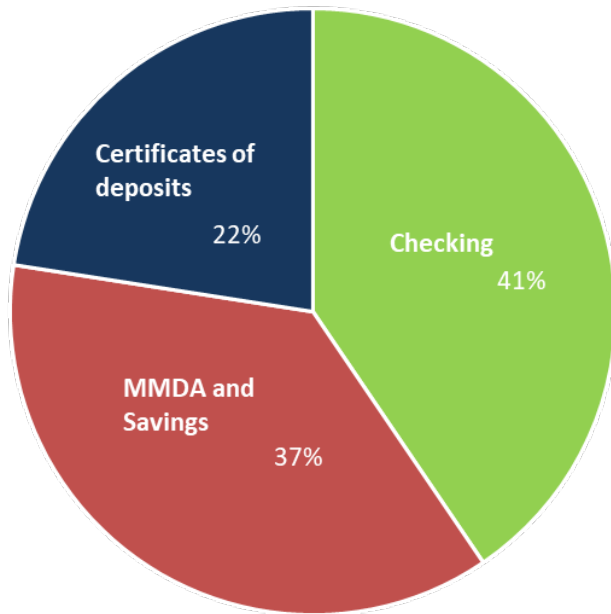


(1) Noninterest-bearing checking includes escrow accounts related to mortgages serviced  
 (2) Branch acquisition during Q1 2016  
 (3) Anchor Bancorp acquisition in Q4 2018

## COMPOSITION COMPARISON YEAR OVER YEAR

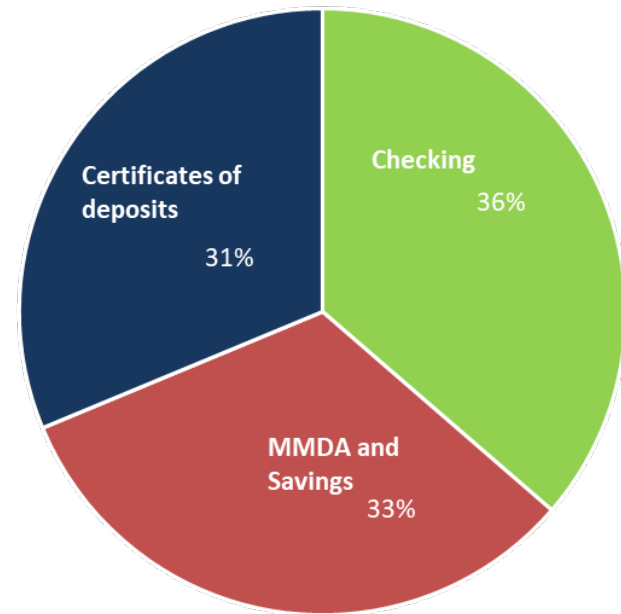
September 30, 2021

Total Deposits: \$1.9 billion



September 30, 2020

Total Deposits: \$1.6 billion



## CAPITAL STRATEGY

### Franchise Growth

- Continued organic asset growth across our diverse group of lending channels
- Expand commercial business lending including construction lending inline with regulatory guidance for oversight on construction concentrations above 100% of total risk-based capital
- Continued investment in the Bank's business lending platform and Small Business Administration lending
- Focus on core deposit generation to fund asset growth

### Dividends

- Will pay thirty-fifth consecutive quarterly cash dividend on November 24, 2021
- Increased Stock Dividend to \$0.15 per share from \$0.14

### Shareholder Value

- Continued focus on increasing shareholder value through our business plan execution
- Repurchased 270,775 shares of our common stock during the third quarter
- On June 25, 2021, the Company announced a two-for-one stock split in the form of a 100% stock dividend consisting of one additional common share for each outstanding common share. The stock dividend was distributed on July 14, 2021, to shareholders of record as of July 6, 2021



# APPENDIX – NON-GAAP RECONCILIATION

## RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES – EQUITY

### Non-GAAP Financial Measures

This presentation contains the tangible book value per share, a non-GAAP financial measure. Tangible common stockholders' equity is calculated by excluding intangible assets from stockholders' equity. For this financial measure, the Company's intangible assets are goodwill and core deposit intangible. Tangible book value per share is calculated by dividing tangible common shareholders' equity by the number of common shares outstanding. The Company believes that this non-GAAP measure is consistent with the capital treatment utilized by the investment community, which excludes intangible assets from the calculation of risk-based capital ratios and presents this measure to facilitate comparison of the quality and composition of the Company's capital over time and in comparison to its competitors.

(\$ in 000's)	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Stockholders' equity	\$ 240,453	\$ 241,760	\$ 240,311	\$ 230,007	\$ 220,550
Goodwill and core deposit intangible, net	(6,532)	(6,709)	(6,886)	(7,063)	(7,240)
Tangible common stockholders' equity	\$ 233,921	\$ 235,051	\$ 233,425	\$ 222,944	\$ 213,310
Common shares outstanding at end of period	8,073,412	8,197,461	8,317,014	8,313,886	8,351,196
Common stockholders' equity (book value) per share (GAAP)	\$ 29.78	\$ 29.49	\$ 28.90	\$ 27.67	\$ 26.41
Tangible common stockholders' equity (tangible book value)*	\$ 28.97	\$ 28.67	\$ 28.07	\$ 26.82	\$ 25.54

\*Per share (non-GAAP)

Source: Press Release

(\$ in 000's)	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Stockholders' equity	\$ 240,453	\$ 241,760	\$ 240,311	\$ 230,007	\$ 220,550
Common shares outstanding at end of period	8,073,412	8,197,461	8,317,014	8,313,886	8,351,196
Common stockholders' equity (book value) per share (GAAP)	\$ 29.78	\$ 29.49	\$ 28.90	\$ 27.67	\$ 26.41

Source: FS Bancorp, Inc.; Press Release

# CONTACT INFORMATION

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