

# 1ST SECURITY BANK

**FS BANCORP, INC.**

## INVESTOR PRESENTATION

2025 Janney CEO Forum



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

**-FSBW Vision Statement**

## Disclosure Statement

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## 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: potential adverse impacts to economic conditions in the Company's local market areas, other markets where the Company has lending relationships, or other aspects of the Company's business operations or financial markets, including, without limitation, as a result of employment levels; labor shortages, the effects of inflation, a potential recession or slowed economic growth; changes in the interest rate environment, including the past increases in the Federal Reserve benchmark rate and duration at which such increased interest rate levels are maintained, which could adversely affect our revenues and expenses, the values of our assets and obligations, and the availability and cost of capital and liquidity; the impact of continuing high inflation and the current and future monetary policies of the Federal Reserve in response thereto; the effects of any federal government shutdown; increased competitive pressures, changes in the interest rate environment, adverse changes in the securities markets, 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; challenges arising from expanding into new geographic markets, products, or services; secondary market conditions for loans and the Company's ability to originate loans for sale and sell loans in the secondary market; volatility in the mortgage industry; fluctuations in deposits; liquidity issues, including our ability to borrow funds or raise additional capital, if necessary; the impact of bank failures or adverse developments at other banks and related negative press about the banking industry in general on investor and depositor sentiment; legislative and regulatory changes, including changes in banking, securities and tax law, in regulatory policies and principles, or the interpretation of regulatory capital or other rules; disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems or on the third-party vendors who perform critical processing functions for us; environmental, social and governance goals; the effects of climate change, severe weather events, natural disasters, pandemics, epidemics and other public health crises, acts of war or terrorism, and other external events on our business; and other factors described in the Company's latest Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other reports filed with or furnished to 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).*

*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 2025 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:** \$3.03 billion (at December 31, 2024)
- **Headquartered:** Mountlake Terrace, WA
- **Branches:** 29\*
- **Loan Production Offices:** 16
- **ATM Locations:** 20
- **Year Established:** 1907\*\*
- **Quarterly Dividend:** \$0.28

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

\*\* Predecessor to Anchor Bank, Aberdeen Federal Savings and Loan, established in 1907.



## 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

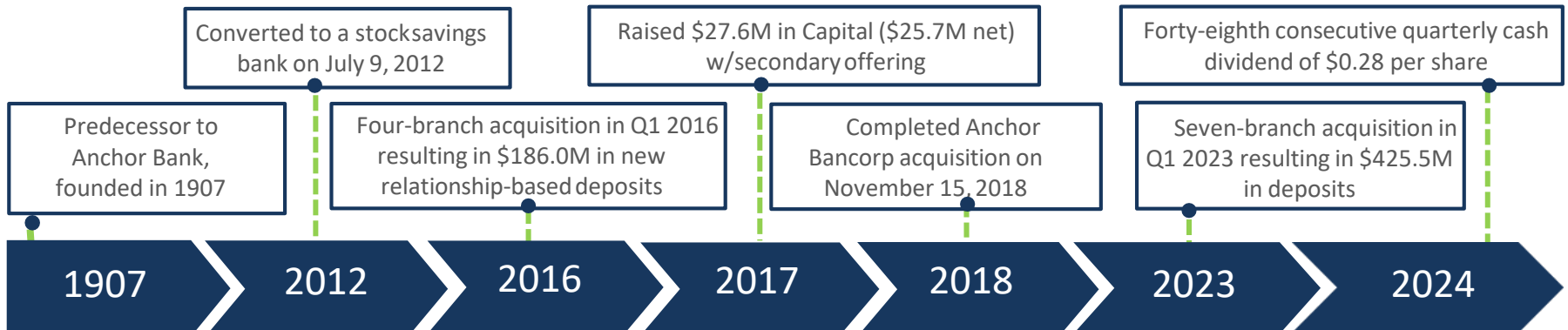
Guiding Principles

Employ smart, driven, and nice people

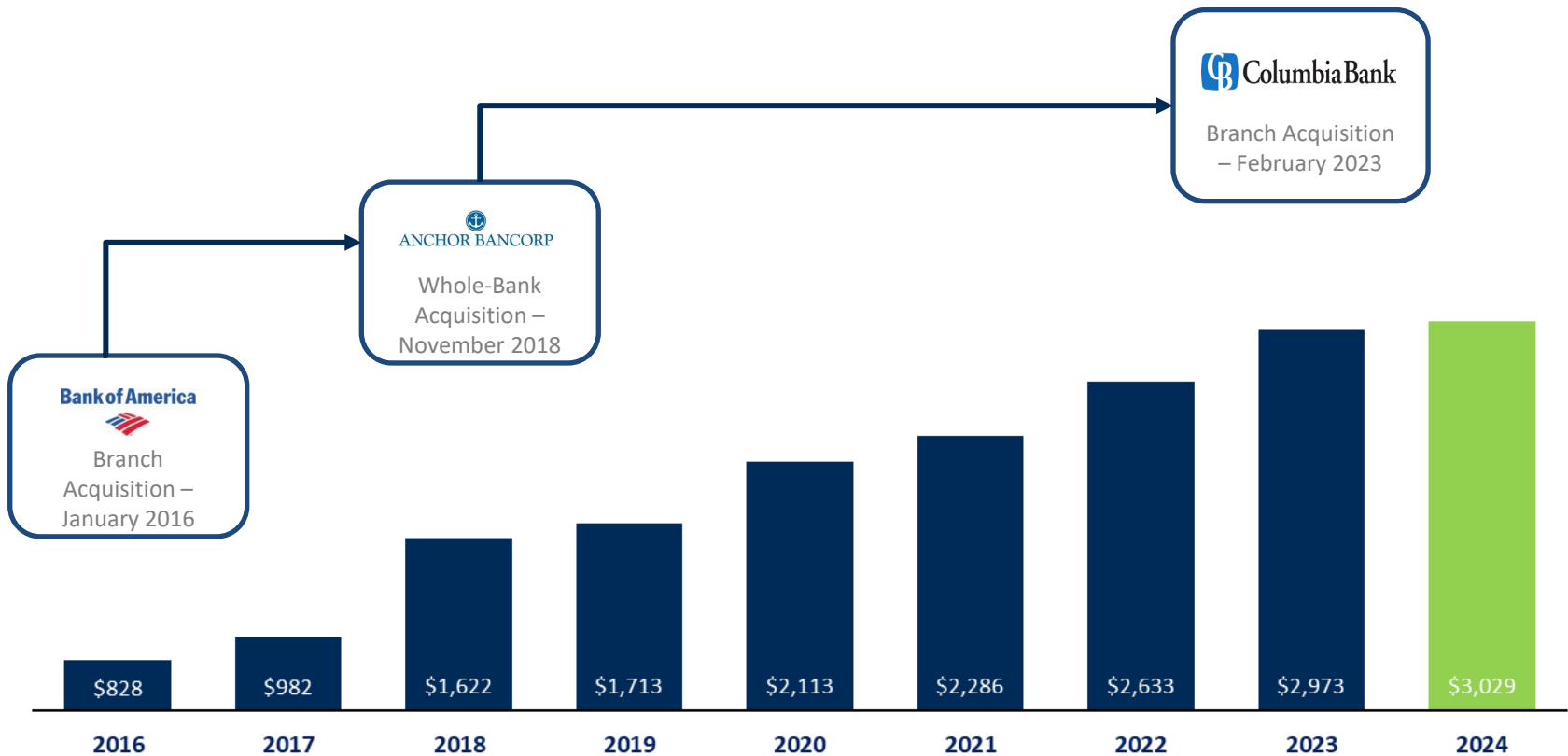
Emphasis on collaboration

Best idea wins

Jim Collins' Good-to-Great Lessons



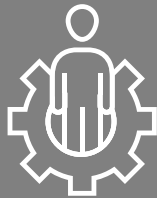
## Asset Growth Profile



Source: Company Documents  
 Note: Dollar amounts in millions

## 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
- Originations of residential mortgage loans which are primarily sold into the secondary market through our mortgage banking platform
- Remain focused on maintaining strong asset quality
- Emphasizing 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

- The Montesano branch is a LEED certified building
- Financing 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
- Hybrid 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
- Offer a \$5,000 annual tuition reimbursement program to employees
- Commitment to Financial Literacy Programs taught at Elementary and High Schools and The IF Project, which provides financial education to soon-to-be released inmates



### GOVERNANCE

- Independent Board Chair
- Six of seven 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 and pledging 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	<i>Chief Executive Officer</i>	21	25+
	Erin Burr	<i>EVP, Chief Risk Officer</i>	16	25+
	Matthew Mullet	<i>President, Chief Financial Officer</i>	13	20+
	Kelli Nielsen	<i>EVP, Retail Banking &amp; Marketing</i>	8	30+
	Ben Crowl	<i>EVP, Chief Lending Officer</i>	6	15+
	Vickie Jarman	<i>EVP, Chief Human Resources Officer</i>	22	20+
	Donn Costa	<i>EVP, Home Lending Production</i>	13	30+
	Shana Allen	<i>EVP, Chief Information Officer</i>	15	30+
	Robert Nesbitt	<i>EVP, Chief Credit Operations Officer</i>	8	20+
	Sean McCormick	<i>EVP, Chief Credit Administration Officer</i>	13	20+

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

**Banks Headquartered in Snohomish County: December 31, 2024**  
**Total Assets \$8.8B**



\*Denotes a financial institution no longer headquartered in Snohomish County  
 \*\* As of September 30, 2024  
 Note: Dollar amount are for assets  
 Source: FFIEC Central Data Repository's Public Bank Data Distribution website & S&P Capital IQ

## FOURTH QUARTER 2024 HIGHLIGHTS

### Financial Highlights Q4 2024

- Net Income of \$7.4 million
- Total assets of \$3.0 billion
- Gross portfolio loans of \$2.5 billion

### Q4 2024 Capital

- Diluted earnings per share of \$0.92
- Tangible book value per share growth of \$0.92 to \$36.02<sup>(1)</sup>
- Increased our forty-eighth consecutive quarterly cash dividend by \$0.01 to \$0.28

### Selected Performance Ratios

- ROAA of 0.98%
- ROAE of 9.88%
- Net Interest Margin of 4.31%
- Efficiency Ratio of 68.16%

### Credit Quality Ratios

- Nonperforming Assets (NPAs) as a percentage of total assets of 0.45%
- Allowance for credit losses on loans as a percentage of gross loans receivable, excluding loans held for sale of 1.26%

### Capital Position

- Repurchased 35,000 shares at an average price of \$48.47 per share
- \$4.7 million remaining under the existing share repurchase plan

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

## 2024 HIGHLIGHTS

### Financial Highlights Year-End 2024

- Total assets of \$3.0 billion
- Gross portfolio loans of \$2.5 billion
- Net income of \$35.0 million

### YTD 2024

- Diluted earnings per share of \$4.36
- Tangible book value per share growth of \$4.38 to \$36.02<sup>(1)</sup>
- Announced forty-eighth consecutive quarterly cash dividend: \$0.28

### Selected Performance Ratios

- ROAA YTD of 1.18%
- ROAE YTD of 12.22%
- Net Interest Margin YTD of 4.30%
- Efficiency Ratio YTD of 67.45%

### Credit Quality Ratios

- Nonperforming Assets (NPAs) as a percentage of total assets of 0.45%
- Allowance for credit losses on loans as a percentage of gross loans receivable, excluding loans held for sale of 1.26%

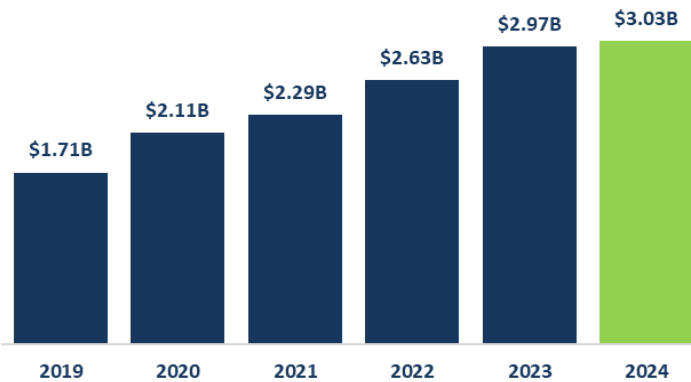
### Capital Position

- Currently, all Bank Holding Company (BHC) and Bank ratios are above those to be considered “Well-Capitalized”
- As of December 31, 2024, the Bank’s Common Equity Tier 1 (“CET1”) capital ratio was 12.93%

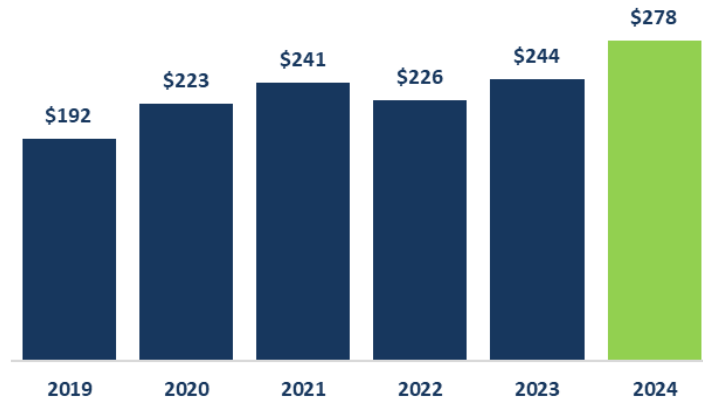
(1) Non-GAAP financial measures. See appendix for reconciliation to book value per share (GAAP)

## FRANCHISE GROWTH

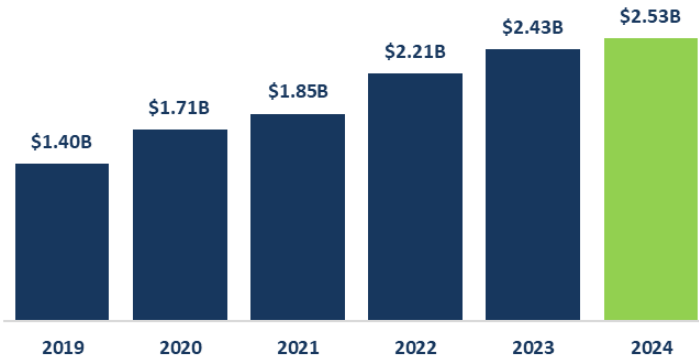
### Total Assets (\$B)



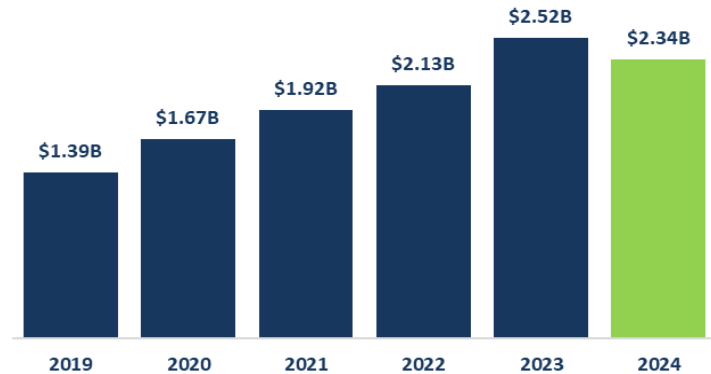
### Tangible Common Equity (\$M) <sup>(1)</sup>



### Total Net Loans (\$B) <sup>(2)</sup>



### Total Deposits (\$B)



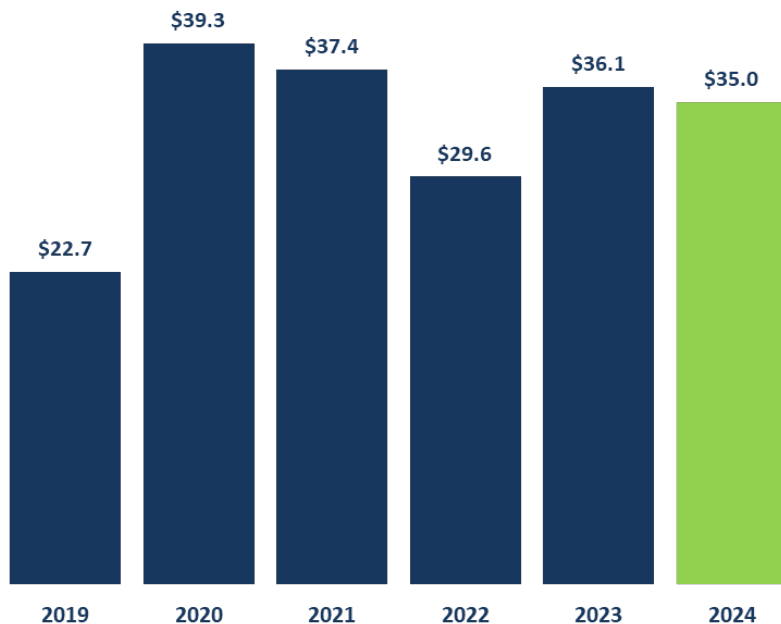
Source: Company documents

(1) Non-GAAP financial measure

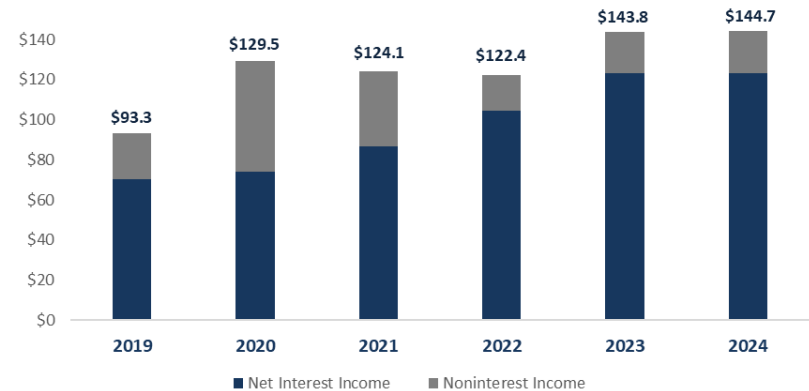
(2) Includes loans held for sale

## INCOME STATEMENT TRENDS

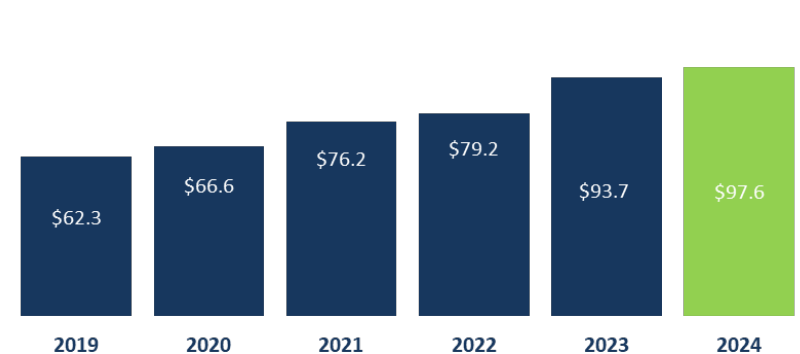
### Net Income (\$M)



### Total Revenues (\$M)

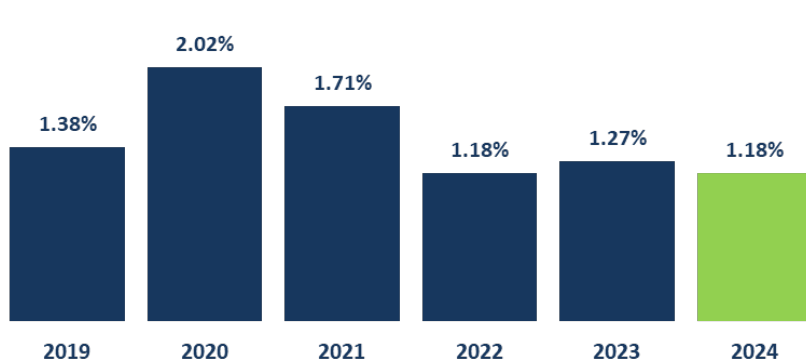


### Total Noninterest Expense (\$M)

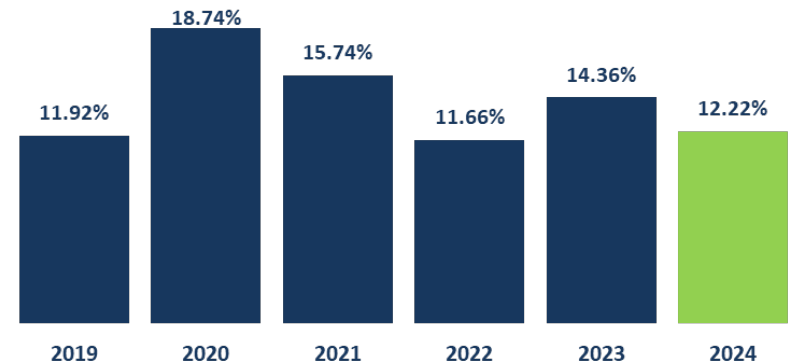


## SELECTED PERFORMANCE RATIO TRENDS

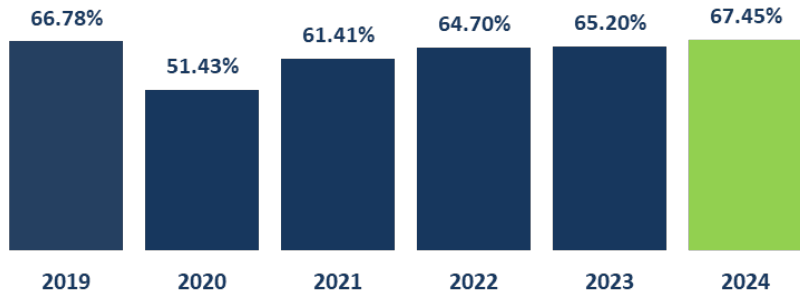
### ROAA



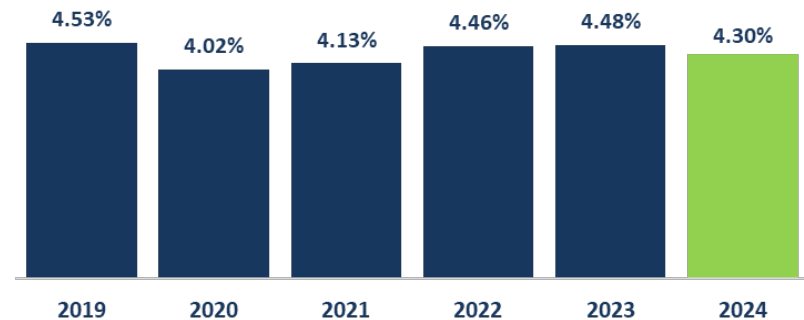
### ROE



### Efficiency Ratio

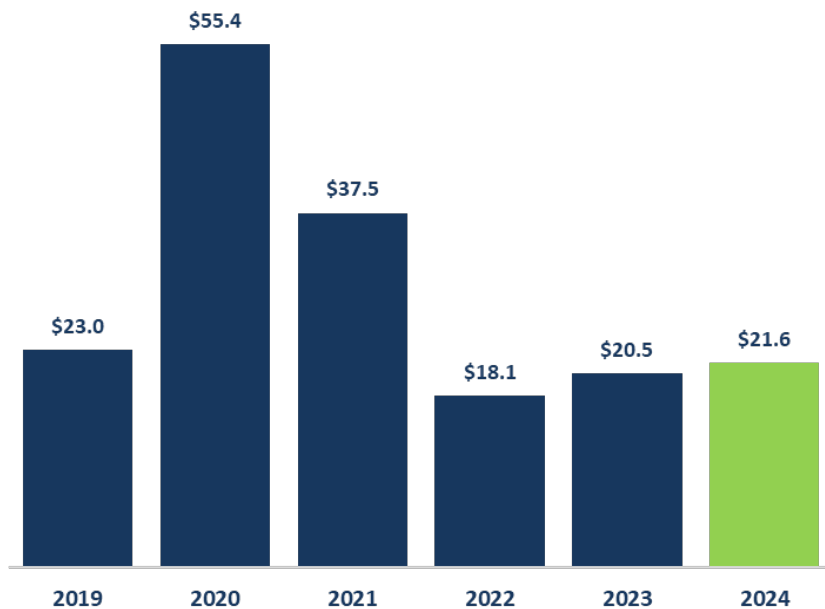


### Net Interest Margin

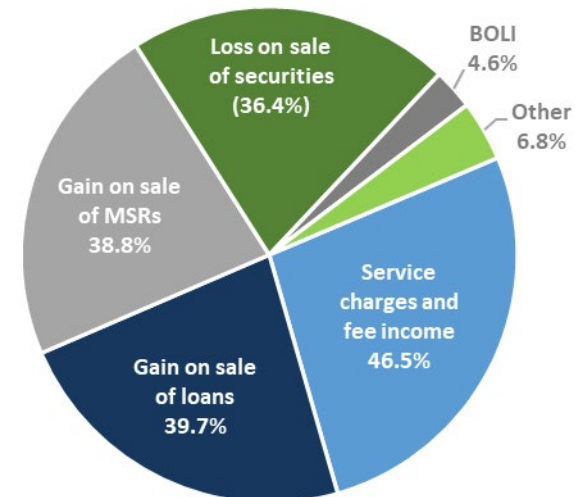


## NONINTEREST INCOME

Noninterest Income (\$M)



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

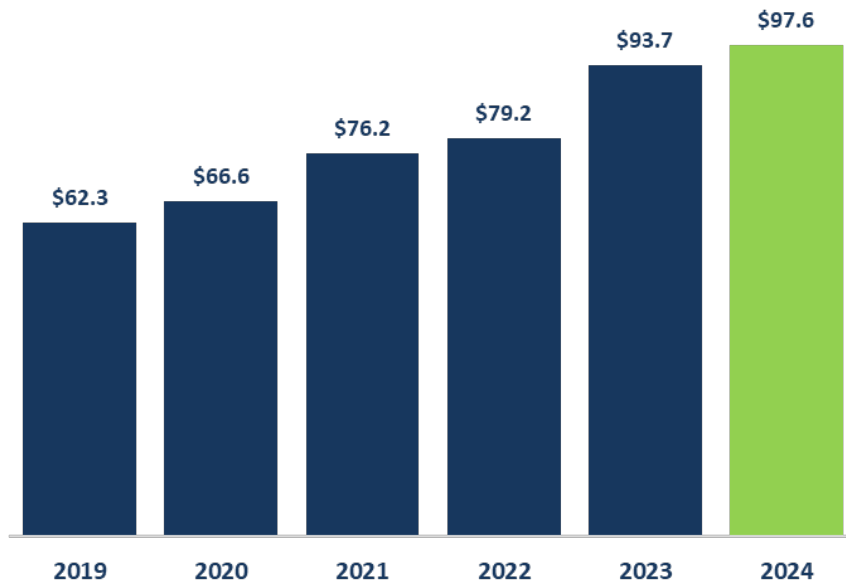


Note: In 2020, noninterest income year-over-year growth due in part to increased gain on sale of loan revenue resulting from low-interest rate environment.

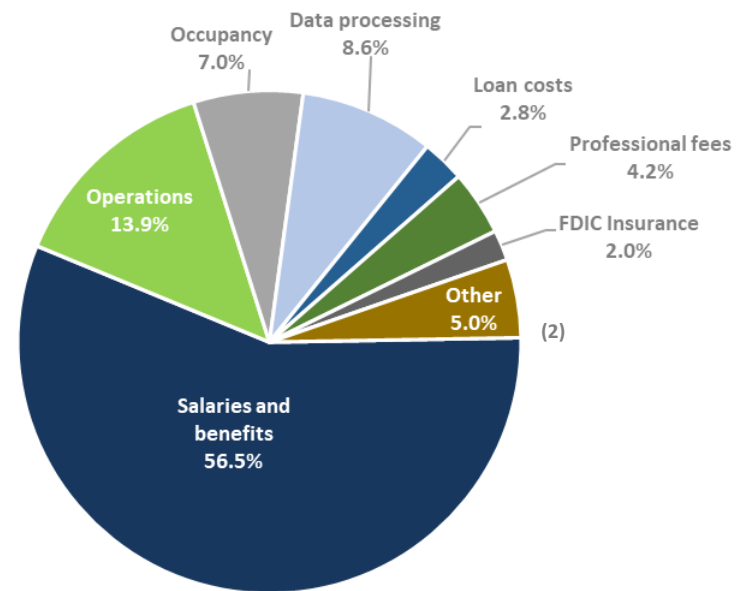
(1) Year ended December 31, 2024

## NONINTEREST EXPENSE

Noninterest Expense (\$M)



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

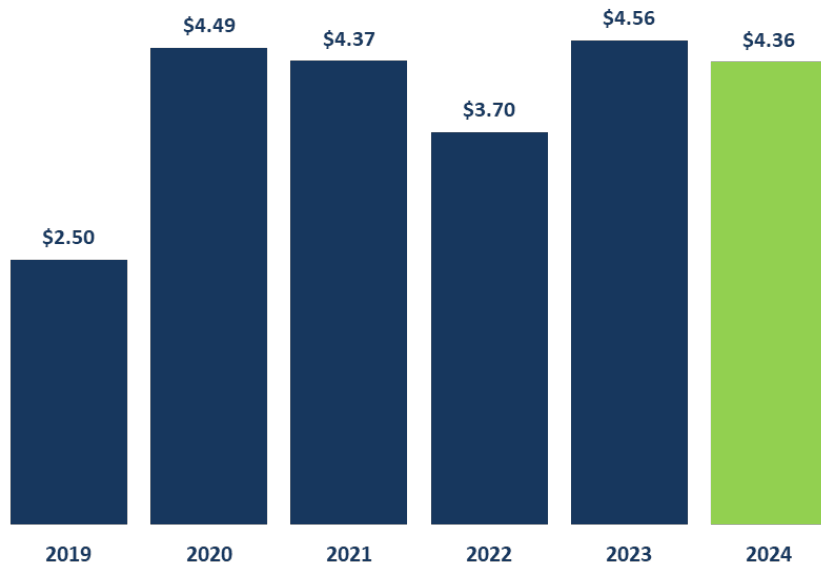


(1) Year ended December 31, 2024

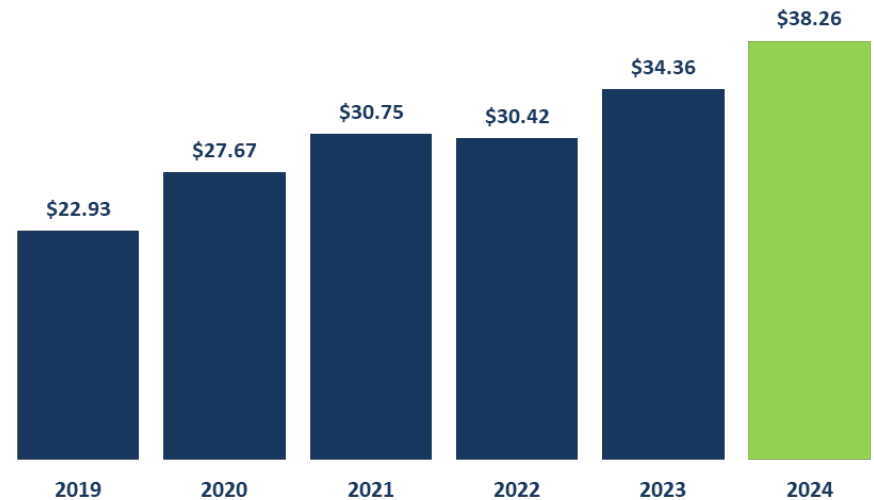
(2) Other = marketing and advertising, amortization of core deposit intangible and impairment of servicing rights

## BUILDING STOCKHOLDER VALUE

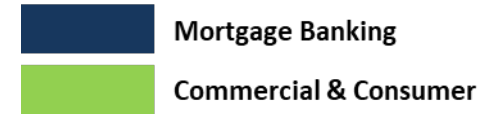
### Diluted Earnings Per Share



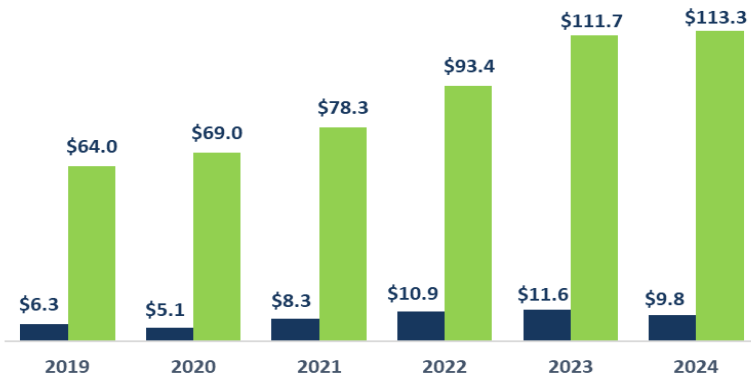
### Book Value Per Share



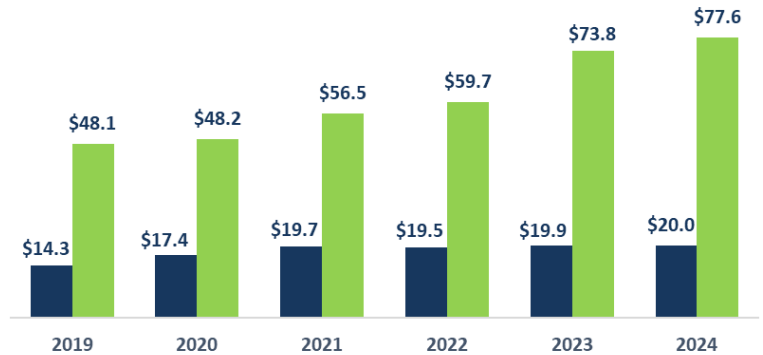
## SEGMENT REPORTING ANALYSIS



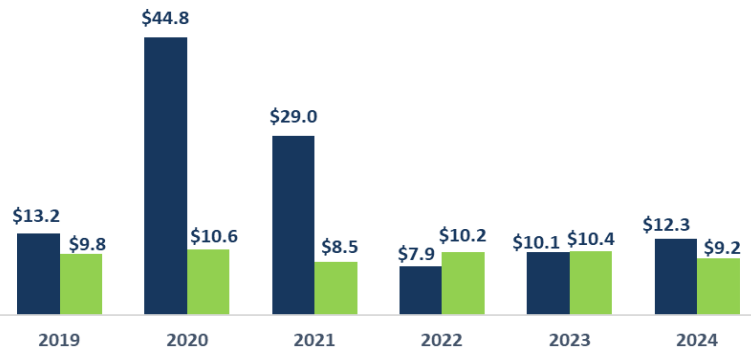
### Net Interest Income



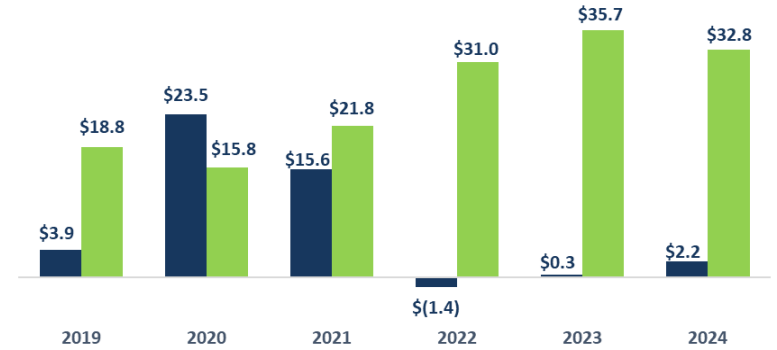
### Noninterest Expense



### Noninterest Income



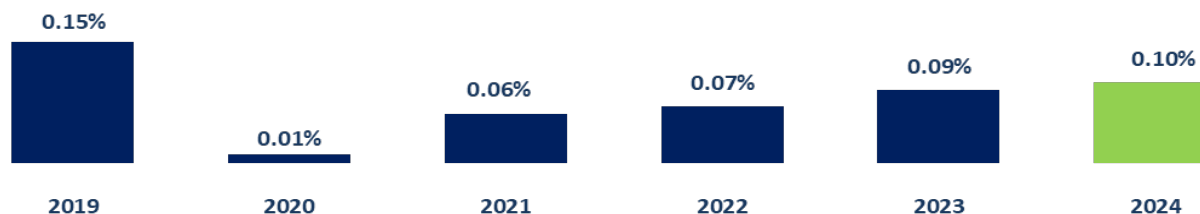
### Net Income



## DISCIPLINED CREDIT CULTURE

- The company employs Board and Committee oversight and reporting, with the Chief Risk Officer, Senior Executive Compliance Officer and Director of Internal Audit 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 = 65.7% (as of December 31, 2024)
  - Commercial Real Estate (CRE) Weighted Average LTV= 57.5% (as of December 31, 2024)
- Loans greater than \$10 million are reported to the Asset Quality Committee, while loans between \$20 million and \$35 million require approval from the Senior Loan Committee
- The legal lending limit is \$72.8 million while the in-house limit is \$35 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

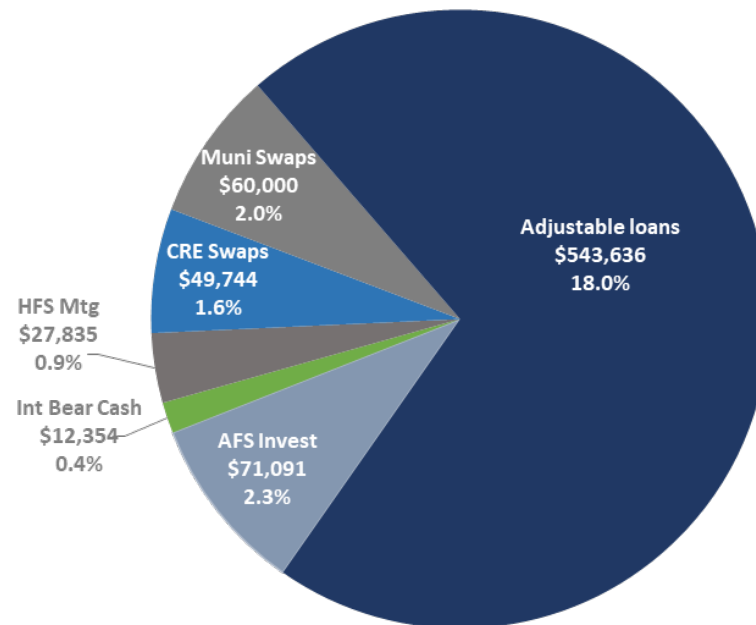
### Historical NCOs / Avg. Loans



## ASSETS WITH SHORT-TERM REPRICING

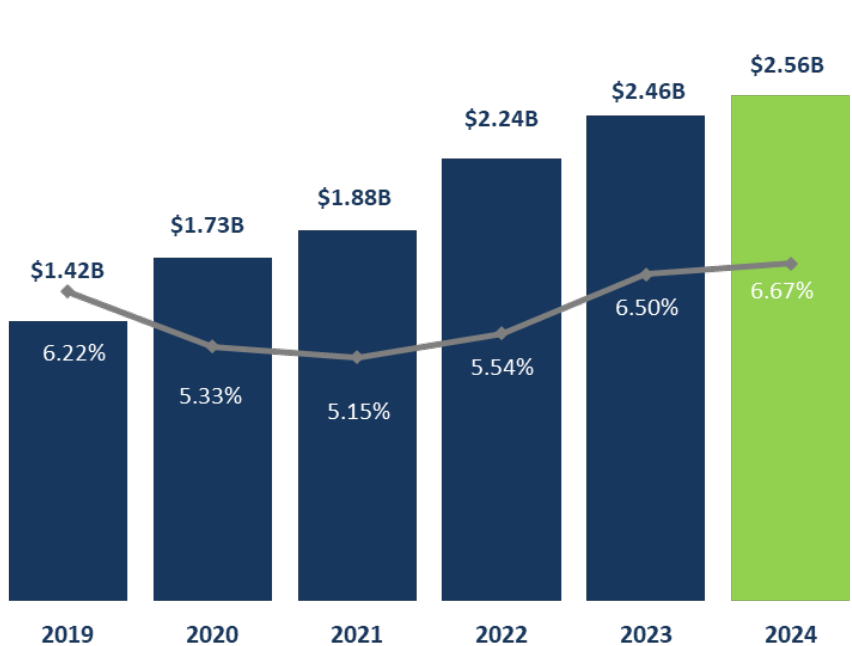
### Assets Repricing – Three Months or less (\$M)

- Assets repricing within three months or less as of December 31, 2024, was \$764.7 million, or 25.2% of total assets



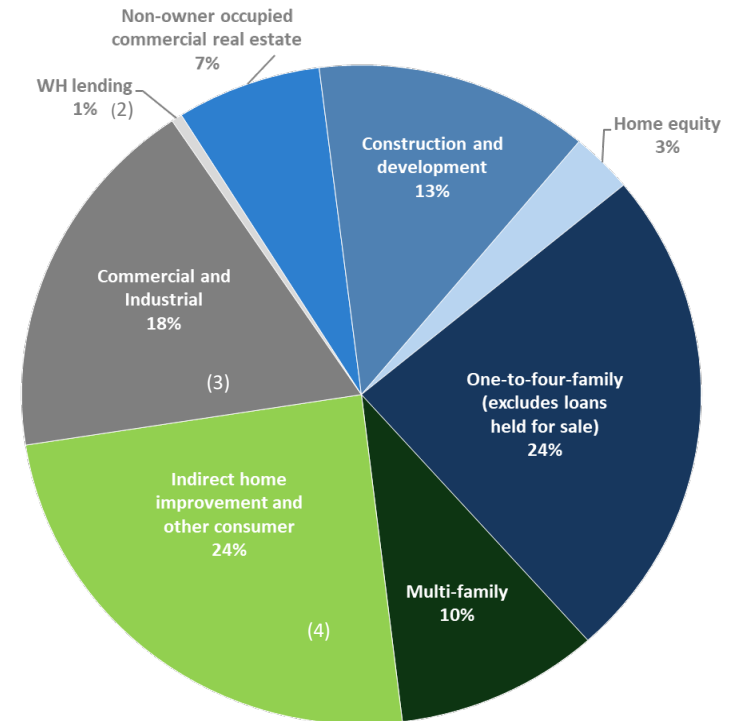
## LOAN PORTFOLIO SUMMARY

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



### Loan Composition at December 31, 2024

Total Gross Loans (excl. loans held for sale): \$2.5B



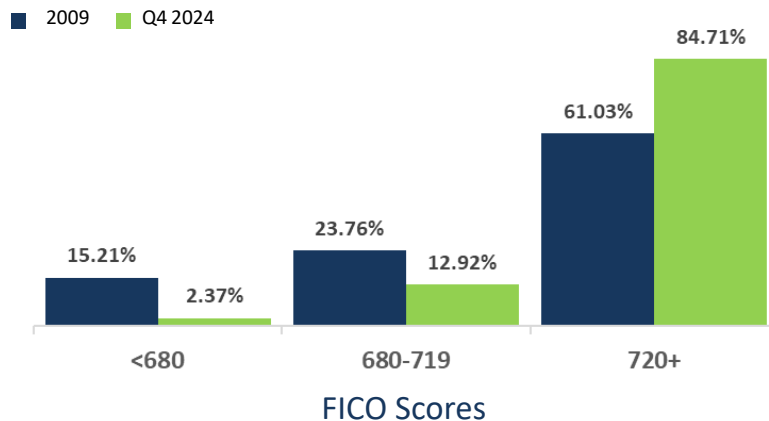
- (1) Loans including loans held for sale
- (2) WH = Warehouse
- (3) Includes owner occupied CRE and agriculture loans
- (4) Other consumer includes marine loans

## CONSUMER LENDING

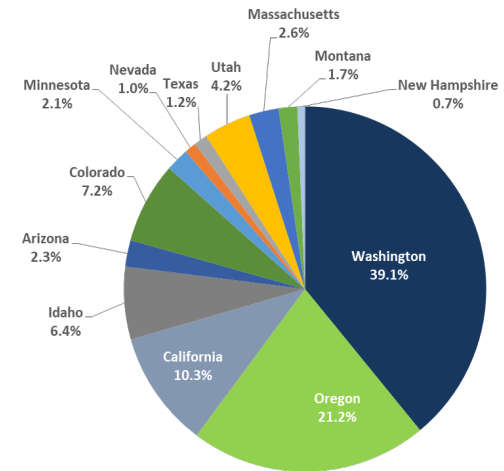
### Q4 2024 Highlights

- Primarily home improvement and marine, UCC-2 or title secured
- Offered on an indirect basis and largely automated (with underwriter verification)
- \$620 million outstanding as of Q4 2024:
  - \$28 million in dealer originations
  - \$22 million, or 80%, with the top 10 dealers
  - Average outstanding portfolio yield of 7.65%, up from 7.59% in Q3 2024

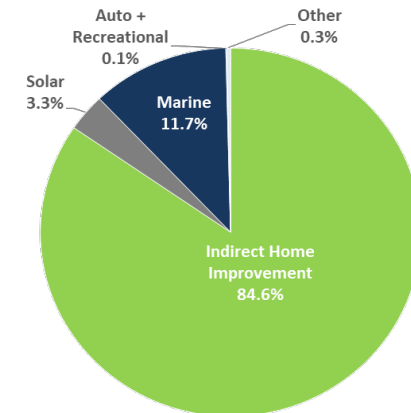
### 2009 vs. Q4 2024 Portfolio Credit Quality



### Q4 2024 Dealer Production by State



### Consumer Portfolio Characteristics

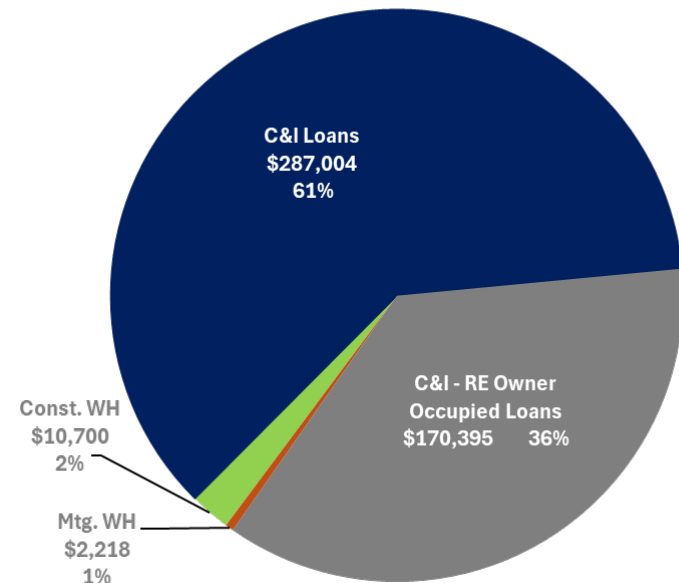


## COMMERCIAL BUSINESS LENDING

### Q4 2024 Commercial & Industrial (C&I)

- C&I commitments: \$694.3 million
- Outstanding balances were \$470.3 million at December 31, 2024, compared to \$488.5 million at September 30, 2024
- The \$18.2 million of quarter over sequential quarter decrease in outstanding balances was attributed to decreases of \$9.8 million in C&I, \$2.3 million in Warehouse lending, and a \$6.1 million decrease in CRE Owner Occupied

### Q4 2024 Product Mix (\$M)

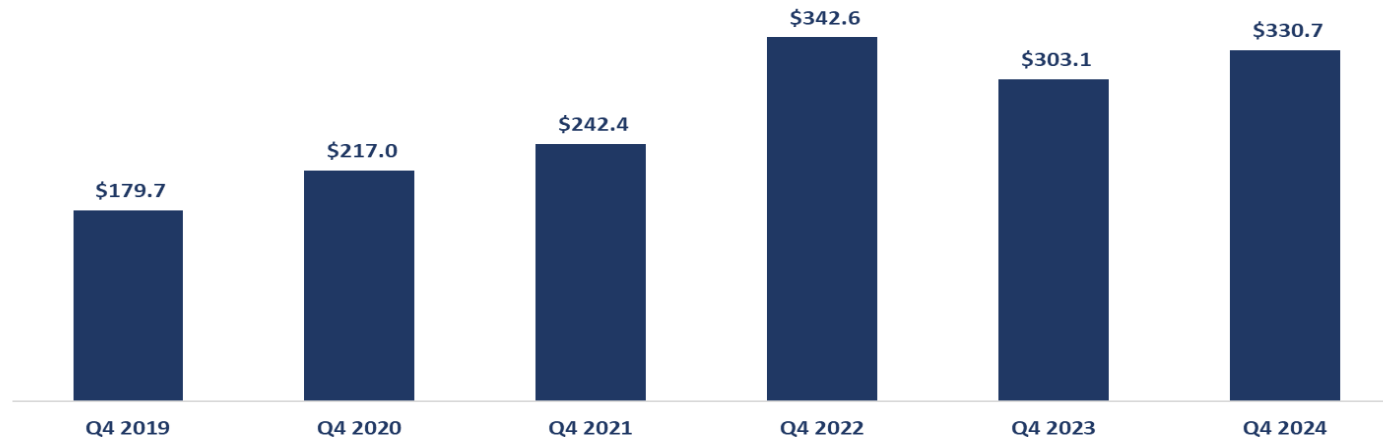


## CONSTRUCTION & DEVELOPMENT LENDING

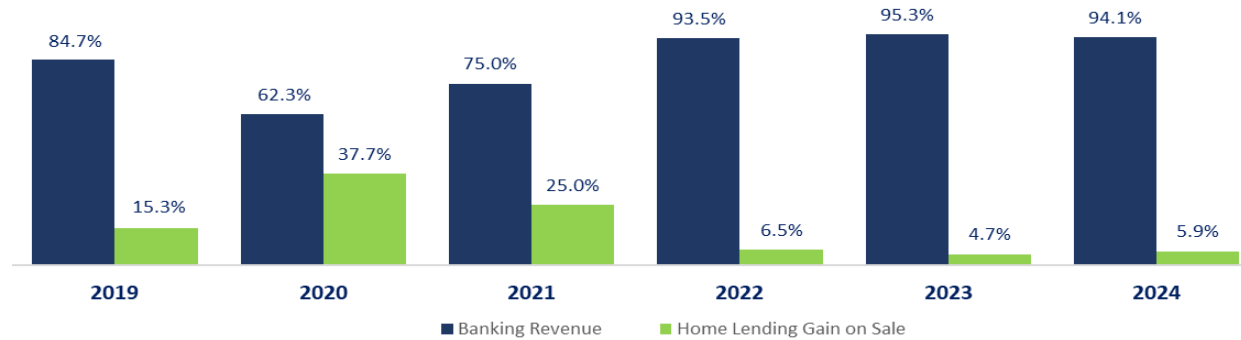
### Q4 2024 Highlights

- Overall construction: \$497.0 million committed / \$330.7 million outstanding
- 8.52% weighted average coupon rate
- Majority of speculative construction originations were in King County, with a focus on "in-city", infill lending to a select group of relationship customers
- Custom construction originations are widely disbursed throughout our footprint

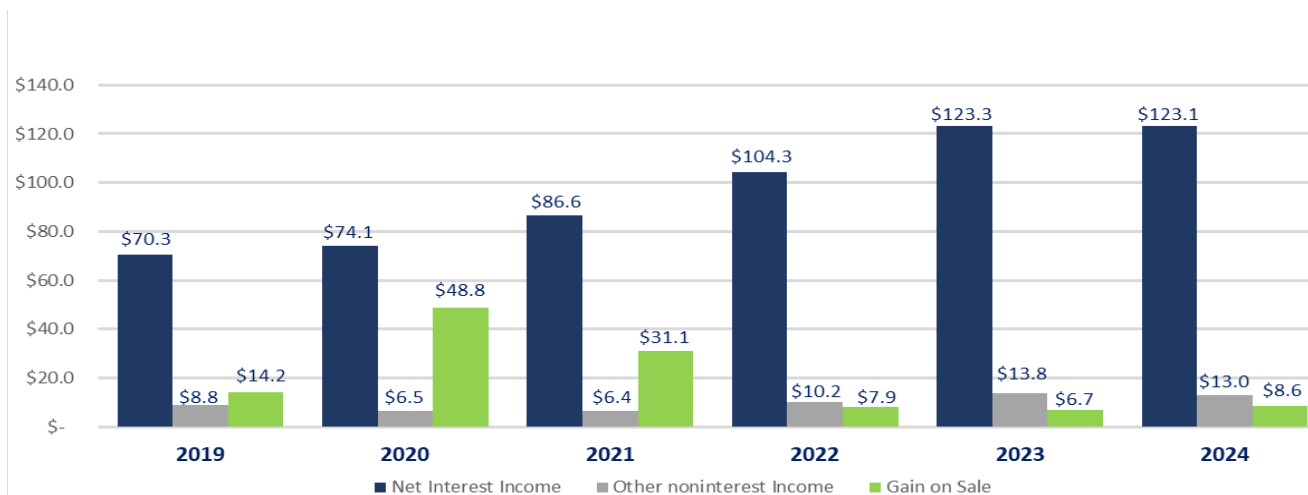
### Quarterly C&D Loans Outstanding (\$M)



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

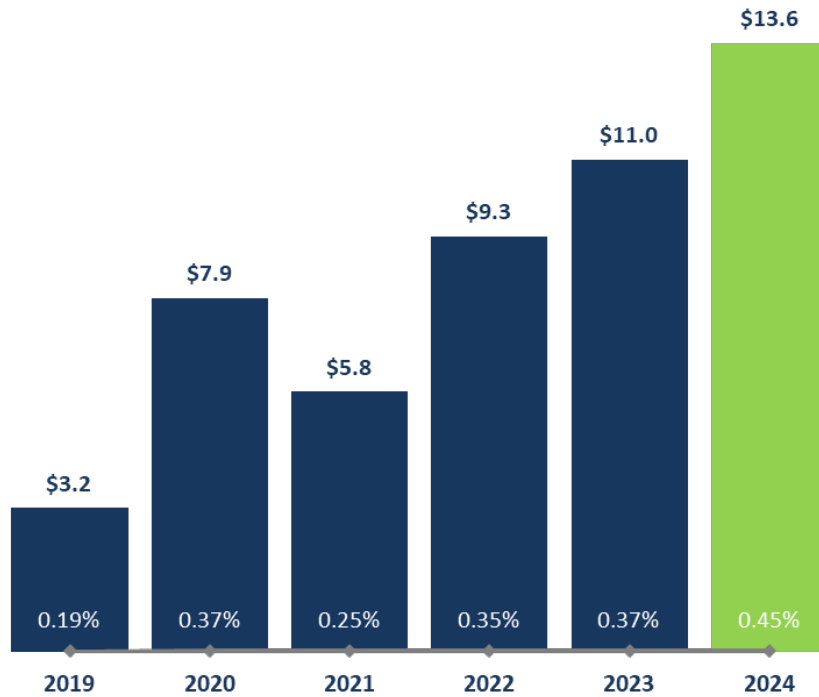


## Total Revenues (\$M)



## ASSET QUALITY

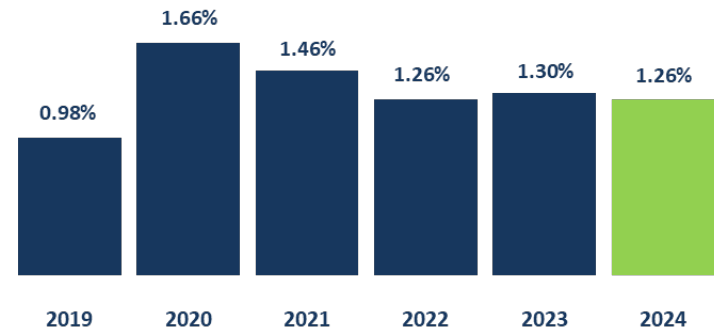
### Nonperforming Assets (\$M)<sup>(1)</sup> & NPAs/ Assets



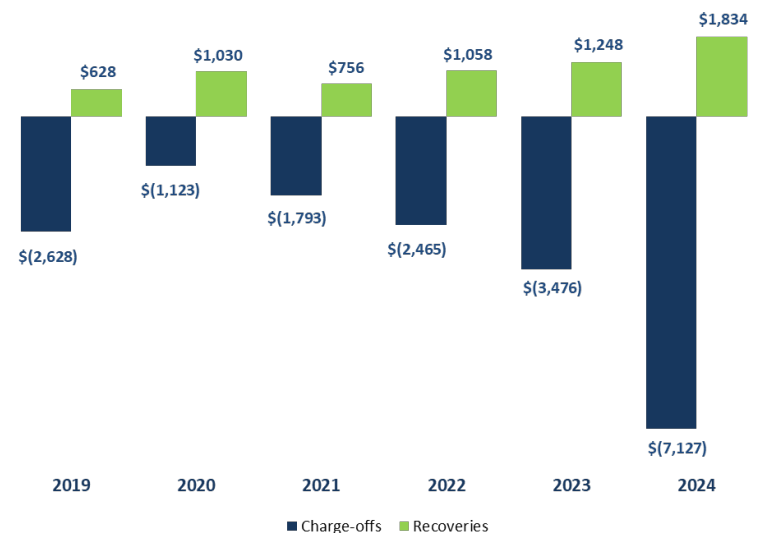
(1) Nonperforming Assets consists of nonperforming loans (which include nonaccruing loans and accruing loans more than 90 days past due), foreclosed real estate and other repossessed assets

(2) Excluding HFS loans

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



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

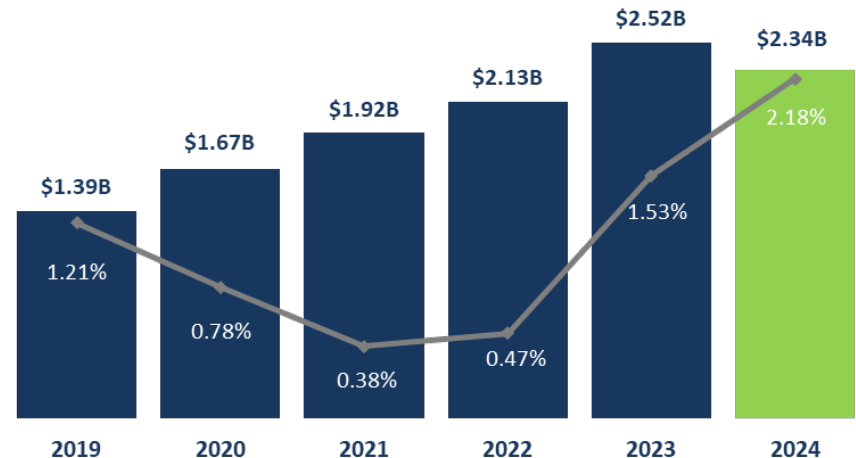
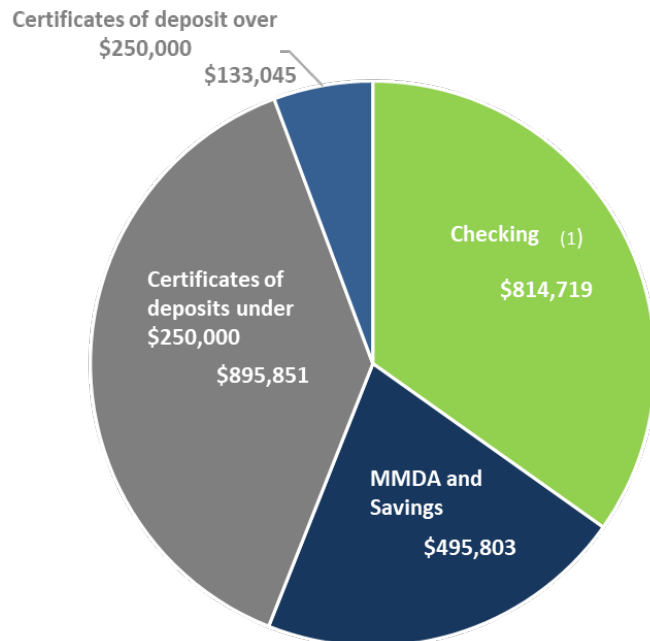


## DEPOSIT COMPOSITION AND GROWTH

December 31, 2024

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

Total Deposits: \$2.3 billion



(1) Includes noninterest-bearing checking, interest-bearing checking and escrow accounts related to mortgages serviced

## 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

- Regular dividend reflects a 30.4% payout ratio compared to diluted earnings per share in the fourth quarter
- Increased our quarterly cash dividend by \$0.01 to \$0.28

### Shareholder Value

- Continued focus on increasing shareholder value through our business plan execution
- Repurchased 35,000 shares of common stock in the fourth quarter of 2024 at an average price of \$48.47 per share
- Tangible book value per share increased \$0.92 to \$36.02 at December 31, 2024

# **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)	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
<b>Tangible Book Value Per Share:</b>					
Stockholders' equity	\$ 295,767	\$ 288,902	\$ 284,026	\$ 277,932	\$ 264,488
Goodwill and core deposit intangible, net	(17,302)	(18,178)	(19,075)	(19,994)	(20,935)
Tangible common stockholders' equity	\$ 278,465	\$ 270,724	\$ 264,951	\$ 257,938	\$ 243,553
Common shares outstanding at end of period	7,729,951	7,713,359	7,644,463	7,707,651	7,698,401
Common stockholders' equity (book value) per share (GAAP)	\$ 38.26	\$ 37.45	\$ 37.15	\$ 36.06	\$ 34.36
Tangible common stockholders' equity (tangible book value)*	\$ 36.02	\$ 35.10	\$ 34.66	\$ 33.47	\$ 31.64
<b>Tangible Common Equity Ratio:</b>					
Total Assets	\$ 3,029,177	\$ 2,970,208	\$ 2,941,377	\$ 2,969,705	\$ 2,972,669
Goodwill and core deposit intangible, net	(17,302)	(18,178)	(19,075)	(19,994)	(20,935)
Tangible assets	\$ 3,011,875	\$ 2,952,030	\$ 2,922,302	\$ 2,949,711	\$ 2,951,734
Common Equity	\$ 295,767	\$ 288,902	\$ 284,026	\$ 277,932	\$ 264,488
Common equity ratio (GAAP)	9.76%	9.73%	9.66%	9.36%	8.90%
Tangible common equity ratio (non-GAAP)	9.25%	9.17%	9.07%	8.74%	8.25%

\*Per share (non-GAAP)

Source: Press Release

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