

# 1ST SECURITY BANK

**FS BANCORP, INC.**

## INVESTOR PRESENTATION

2025 Financial Institutions Conference



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

**-FSBW Vision Statement**

## Disclosure Statement

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*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:** \$3.07 billion (at March 31, 2025)
- **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

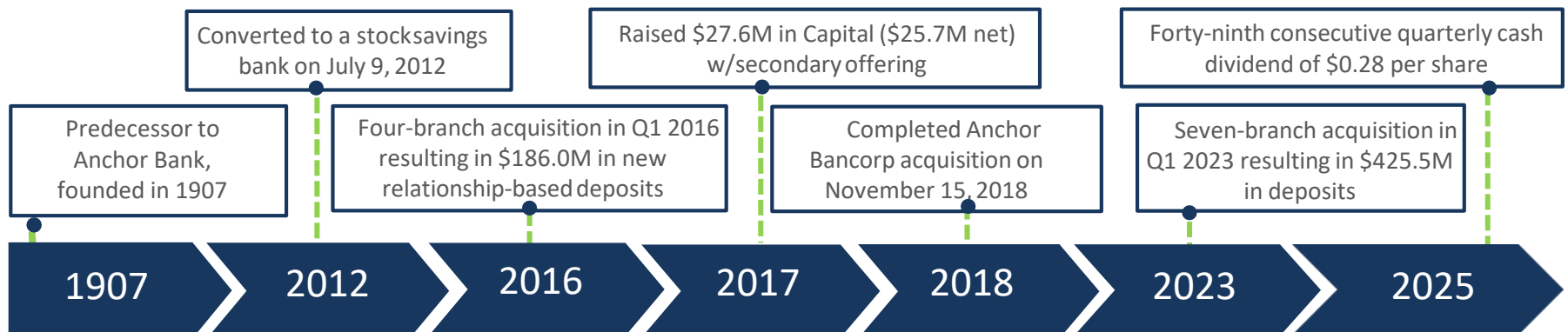
Guiding Principles

Employ smart, driven, and nice people

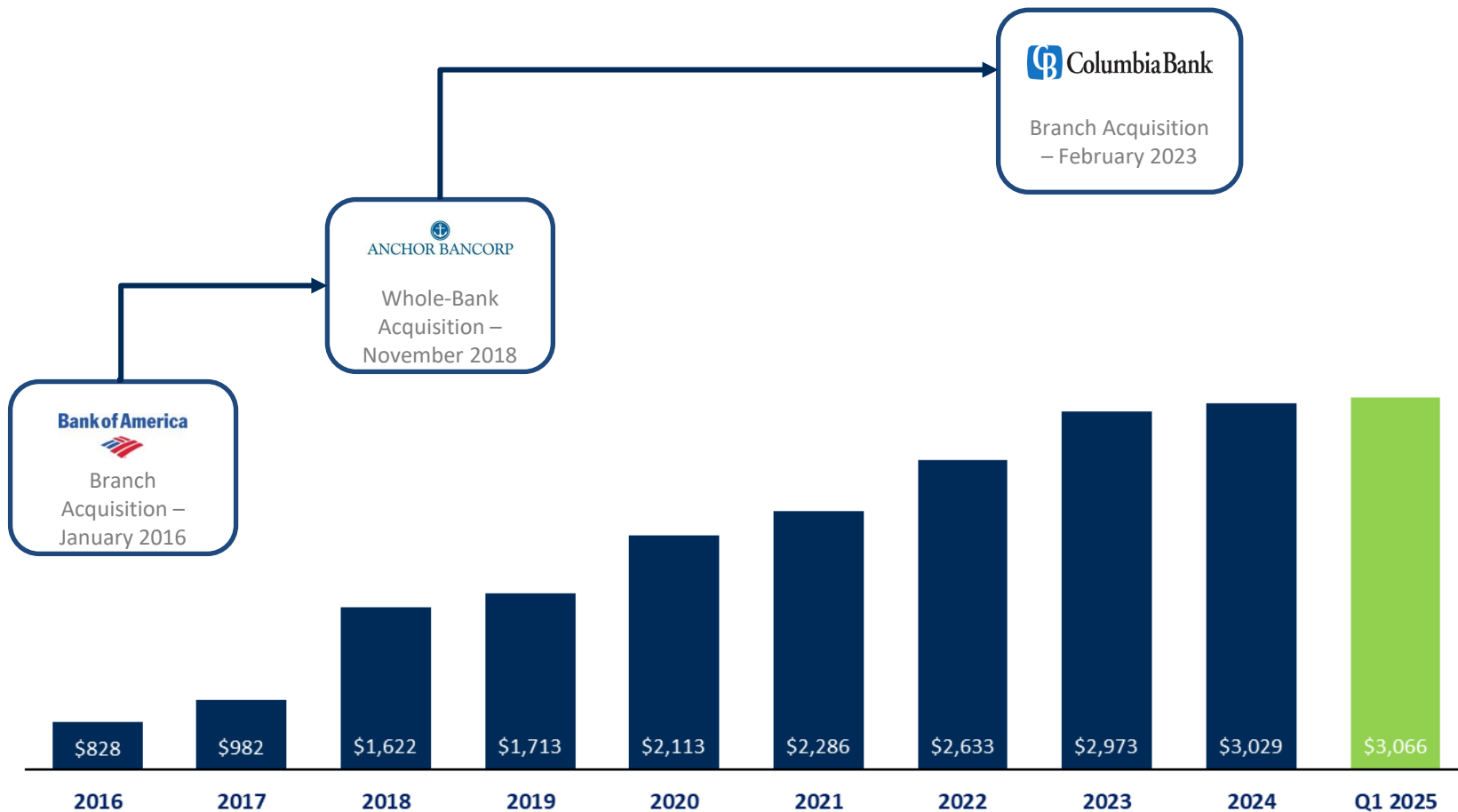
Emphasis on collaboration

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










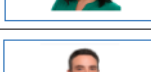



The Five Pillars of 1SB

## 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

## EXECUTIVE MANAGEMENT

|                                                                                     | Name             | Position                                 | Years with<br>1st Security Bank | Years in<br>Industry |
|-------------------------------------------------------------------------------------|------------------|------------------------------------------|---------------------------------|----------------------|
|    | Joseph Adams     | Chief Executive Officer                  | 22                              | 25+                  |
|    | Erin Burr        | EVP, Chief Risk Officer                  | 16                              | 25+                  |
|    | Matthew Mullet   | President                                | 13                              | 20+                  |
|    | Phil Whittington | VP, Chief Financial Officer              | 5                               | 5+                   |
|    | Kelli Nielsen    | EVP, Chief Retail Banking Officer        | 8                               | 30+                  |
|    | Ben Crowl        | EVP, Chief Lending Officer               | 7                               | 15+                  |
|    | Vickie Jarman    | EVP, Chief Human Resources Officer       | 23                              | 20+                  |
|   | Donn Costa       | EVP, Chief Home Lending Officer          | 13                              | 30+                  |
|  | Shana Allen      | EVP, Chief Information Officer           | 15                              | 30+                  |
|  | Robert Nesbitt   | EVP, Chief Credit Operations Officer     | 8                               | 20+                  |
|  | Sean McCormick   | EVP, Chief Credit Administration Officer | 13                              | 20+                  |

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

Banks Headquartered in Snohomish County: March 31, 2025  
Total Assets \$8.8B



\*Denotes a financial institution no longer headquartered in Snohomish County

\*\* As of December 31, 2024

Note: Dollar amount are for assets

Source: FFIEC Central Data Repository's Public Bank Data Distribution website & S&P Capital IQ

### FIRST QUARTER 2025 HIGHLIGHTS

#### Financial Highlights Q1 2025

- Net Income of \$8.0 million
- Total assets of \$3.1 billion
- Gross portfolio loans of \$2.5 billion

#### Q1 2025 Capital

- Diluted earnings per share of \$1.01
- Tangible book value per share growth of \$0.94 to \$36.96<sup>(1)</sup>
- Announced forty-ninth consecutive quarterly cash dividend: \$0.28

#### Selected Performance Ratios

- ROAA of 1.07%
- ROAE of 10.80%
- Net Interest Margin of 4.32%
- Efficiency Ratio of 69.39%

#### Credit Quality Ratios

- Nonperforming Assets (NPAs) as a percentage of total assets of 0.47%
- Allowance for credit losses on loans as a percentage of gross loans receivable, excluding loans held for sale of 1.25%

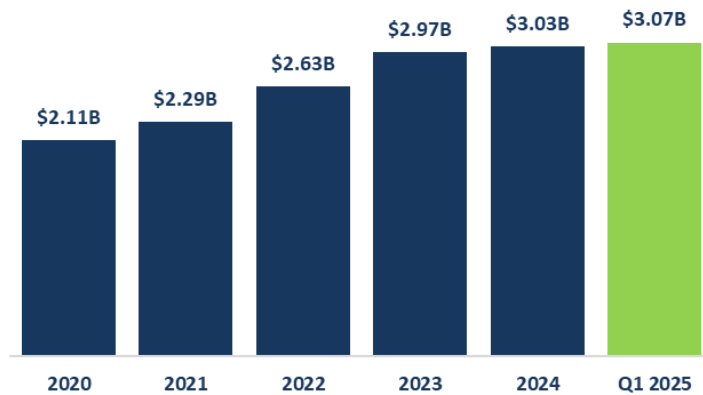
#### Capital Position

- Repurchased 98,317 shares at an average price of \$39.06 per share
- \$873,000 remaining under the existing share repurchase plan

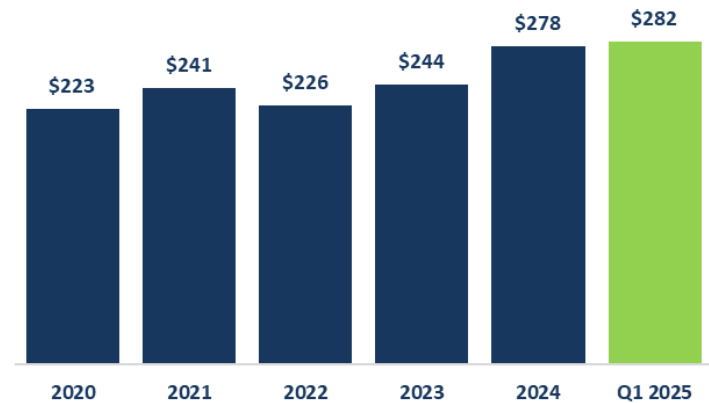
(1) Non-GAAP financial measures. See appendix for reconciliation to book value per share (GAAP)

## FRANCHISE GROWTH

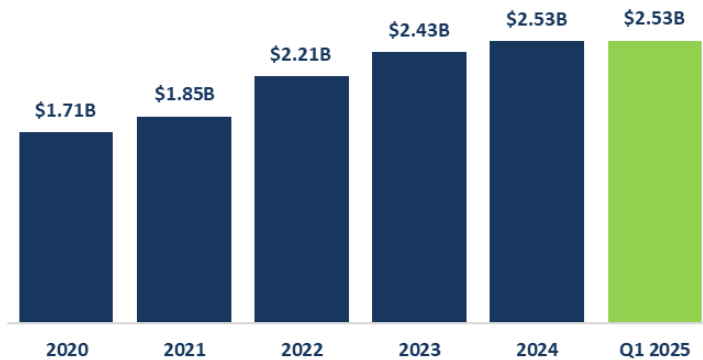
### Total Assets (\$B)



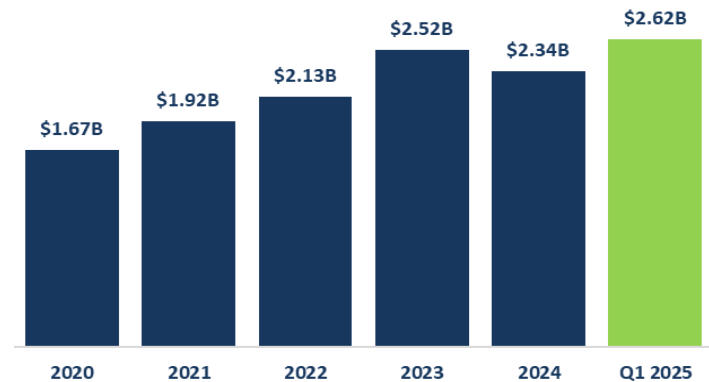
### Tangible Common Equity (\$M) <sup>(1)</sup>



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



### Total Deposits (\$B)



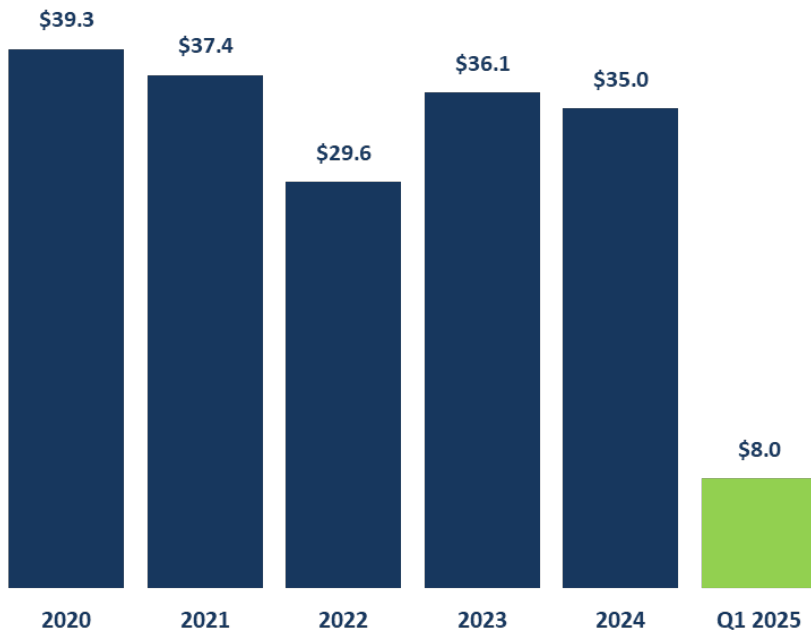
Source: Company documents

(1) Non-GAAP financial measure

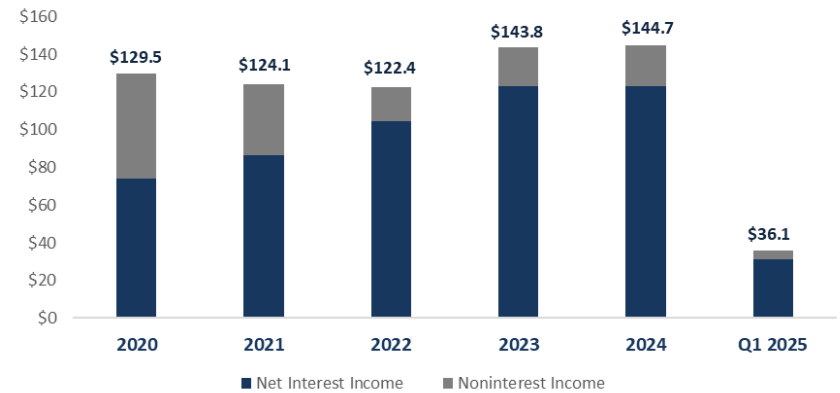
(2) Includes loans held for sale

## INCOME STATEMENT TRENDS

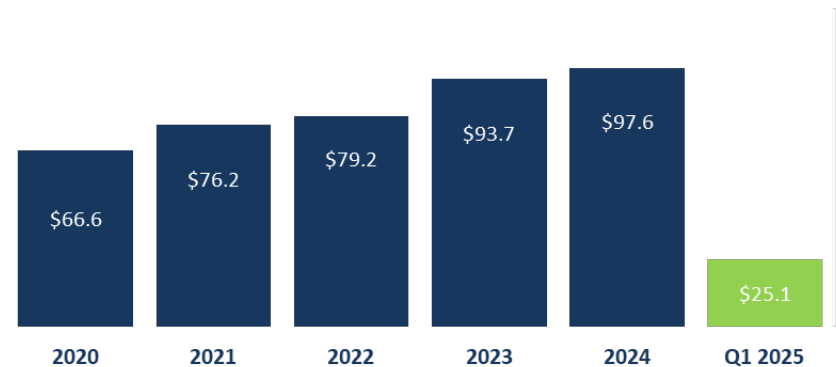
### Net Income (\$M)



### Total Revenues (\$M)

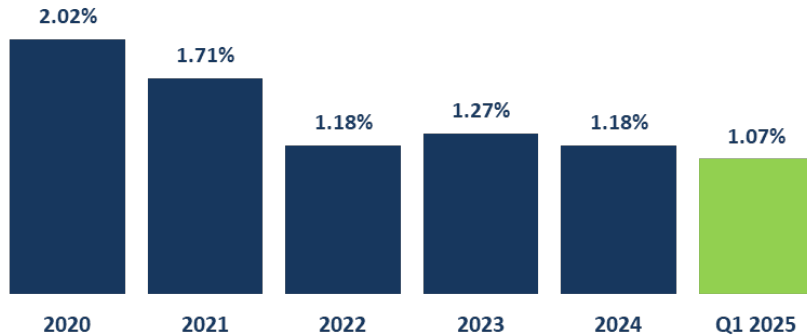


### Total Noninterest Expense (\$M)

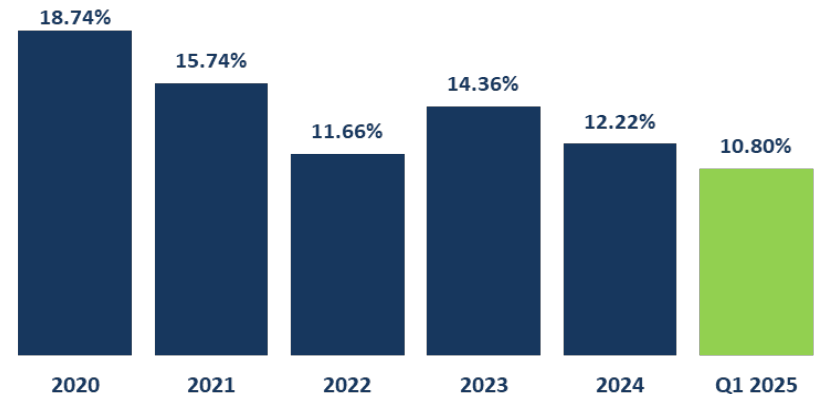


## SELECTED PERFORMANCE RATIO TRENDS

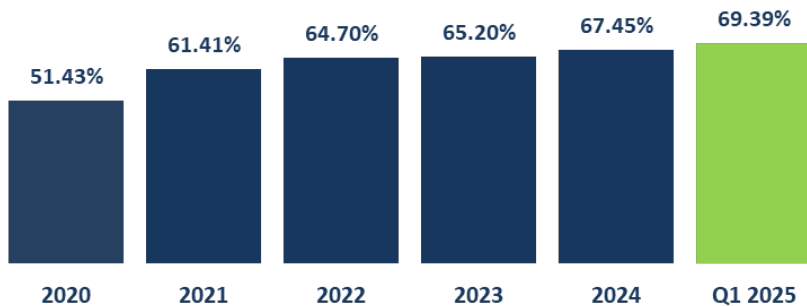
### ROAA



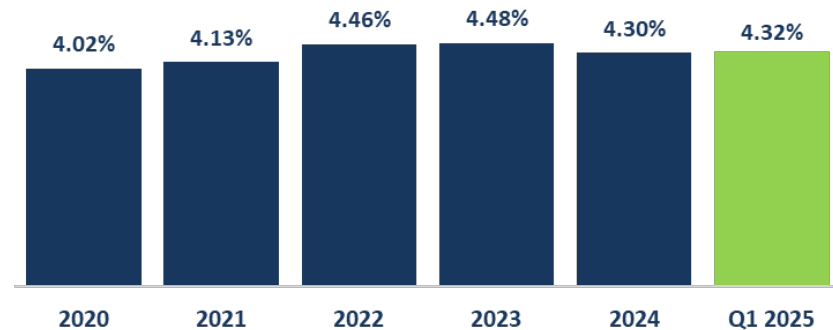
### ROE



### Efficiency Ratio

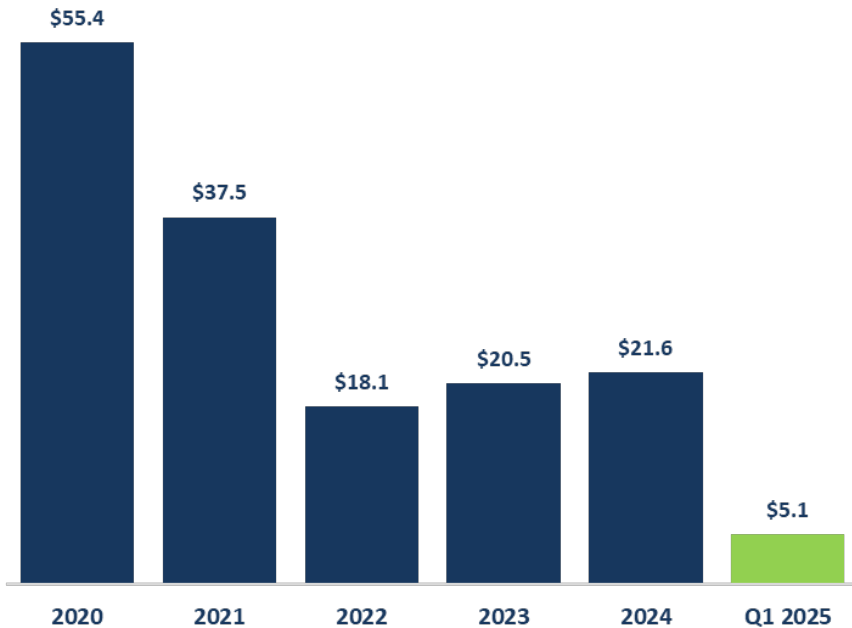


### Net Interest Margin

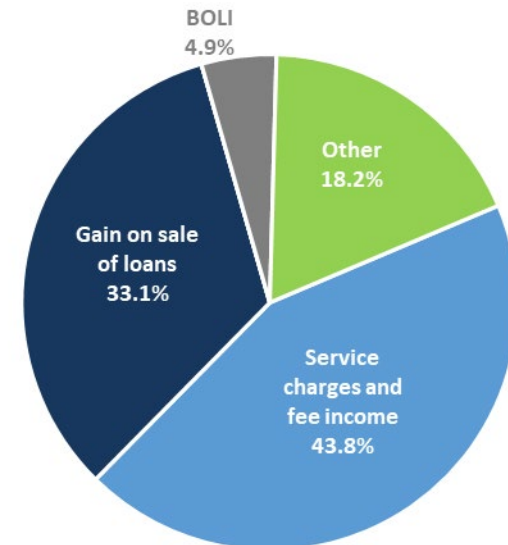


## NONINTEREST INCOME

### Noninterest Income (\$M)



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

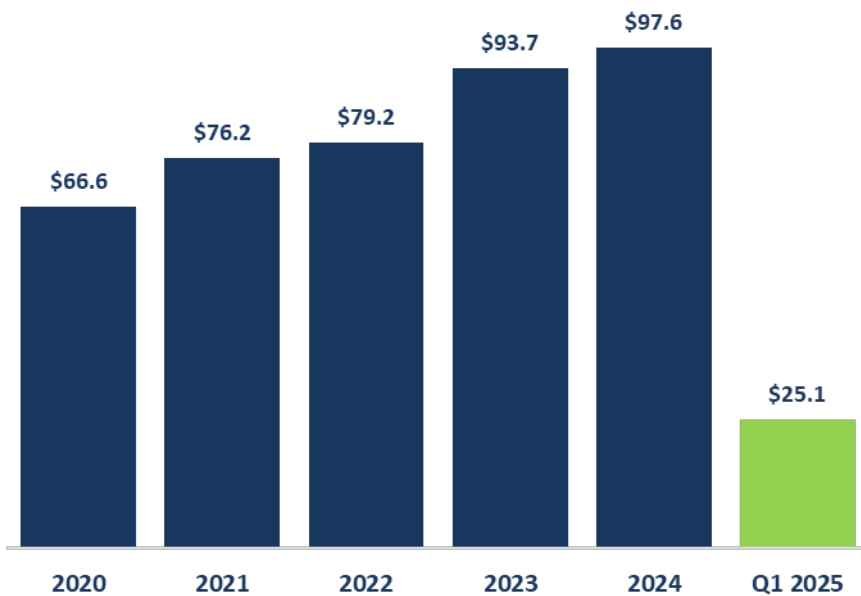


Note: In 2020, noninterest income year-over-year growth due in part to increased gain on sale of loan revenue resulting from low-interest rate environment.

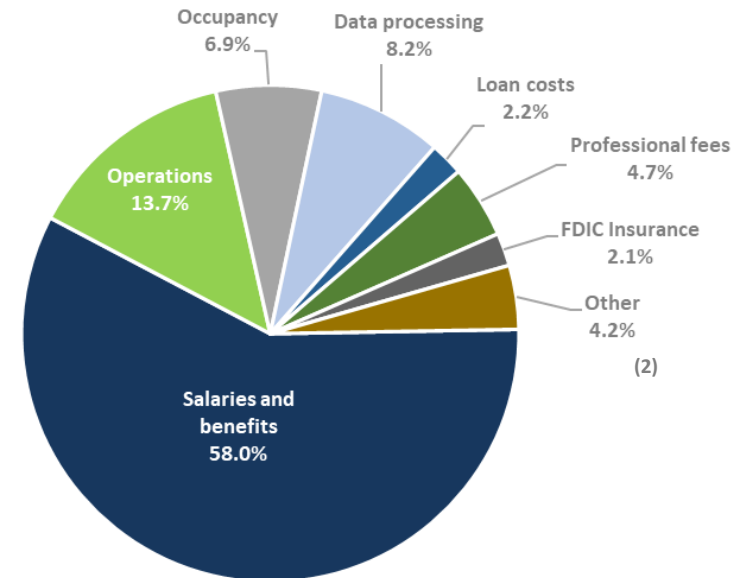
(1) Quarter ended March 31, 2025

## NONINTEREST EXPENSE

Noninterest Expense (\$M)



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

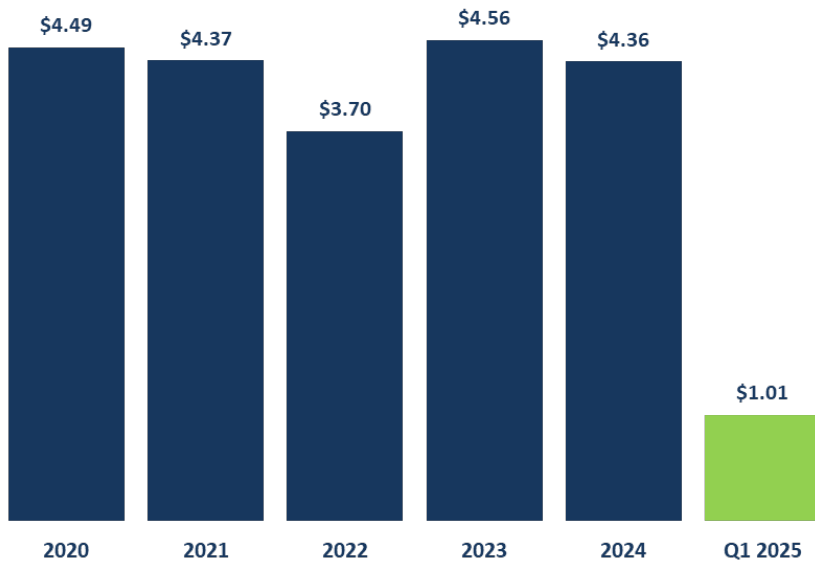


(1) Quarter ended March 31, 2025

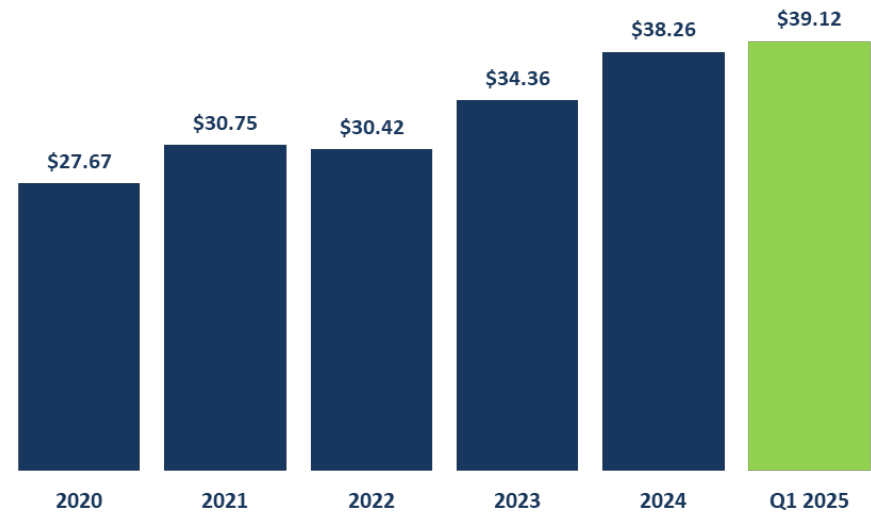
(2) Other = marketing and advertising, amortization of core deposit intangible and impairment of servicing rights

## BUILDING STOCKHOLDER VALUE

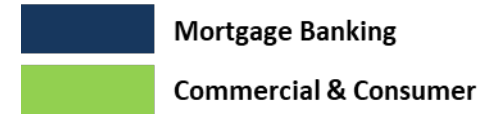
### Diluted Earnings Per Share



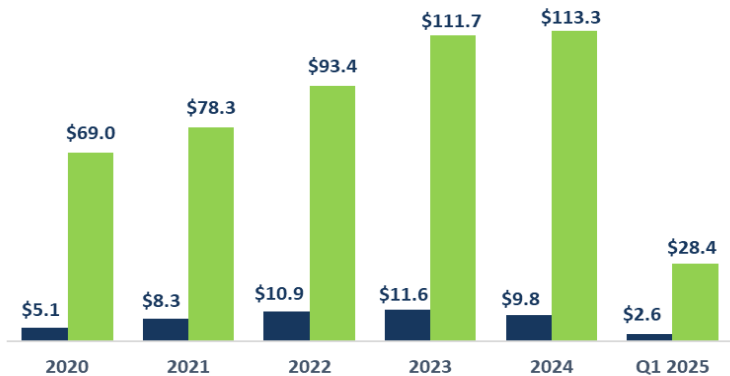
### Book Value Per Share



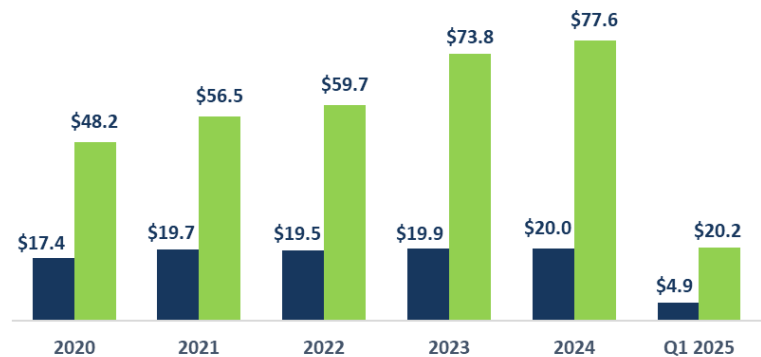
## SEGMENT REPORTING ANALYSIS



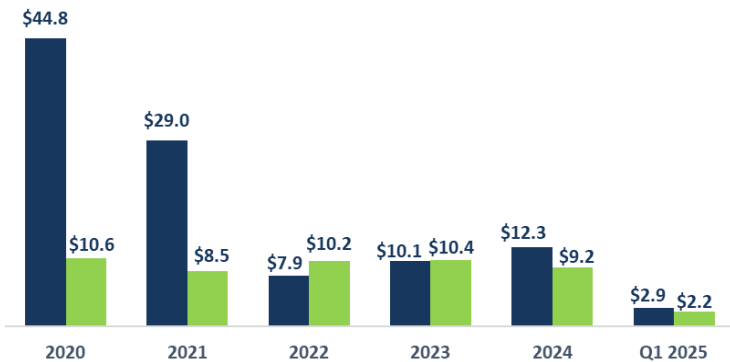
### Net Interest Income



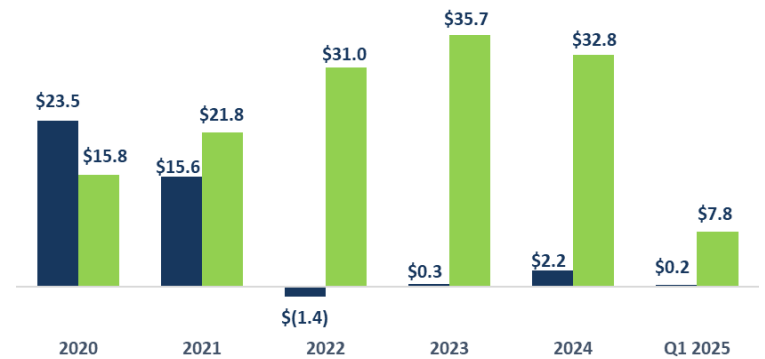
### Noninterest Expense



### Noninterest Income



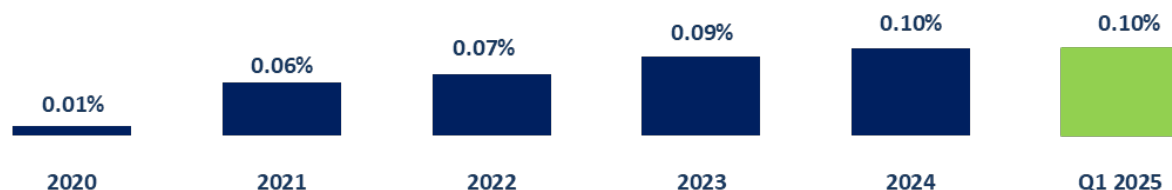
### Net Income



## 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 = 64.2% (as of March 31, 2025)
  - Commercial Real Estate (CRE) Weighted Average LTV= 57.4% (as of March 31, 2025)
- 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

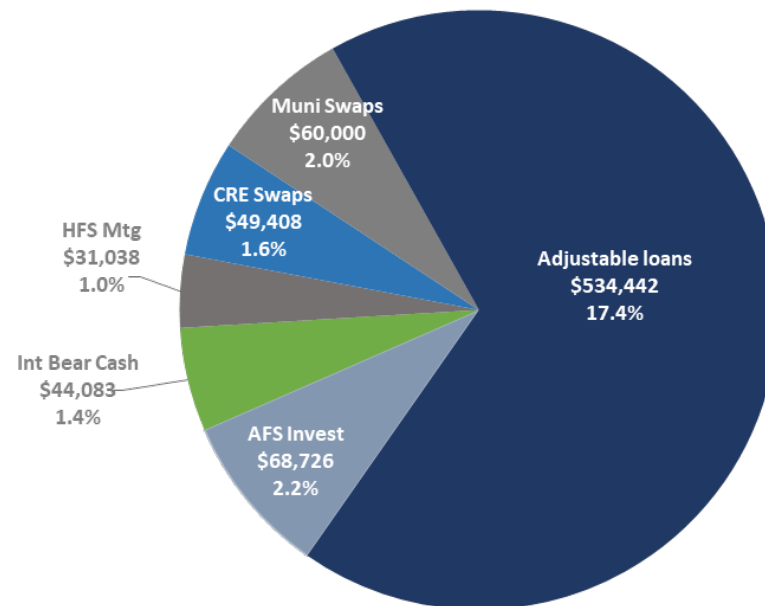
### Historical NCOs / Avg. Loans



## ASSETS WITH SHORT-TERM REPRICING

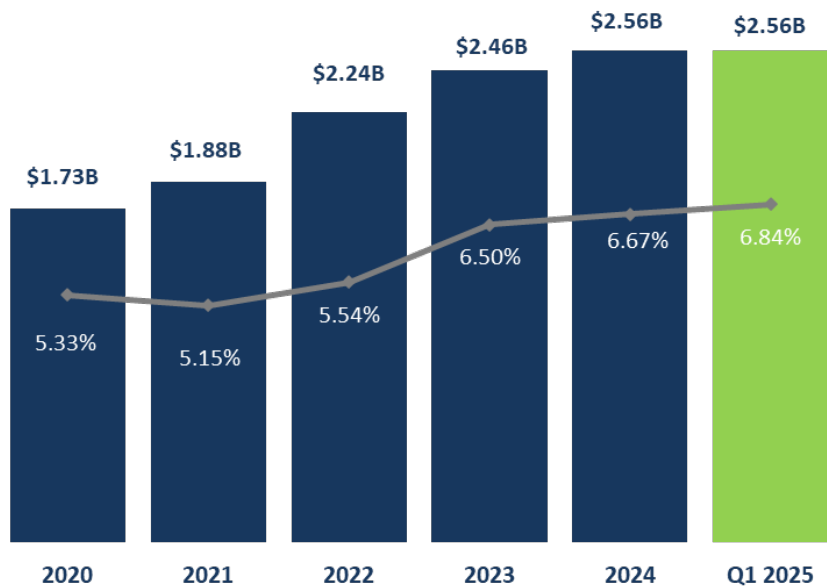
### Assets Repricing – Three Months or less (\$M)

- Assets repricing within three months or less as of March 31, 2025, were \$787.7 million, or 25.7% of total assets



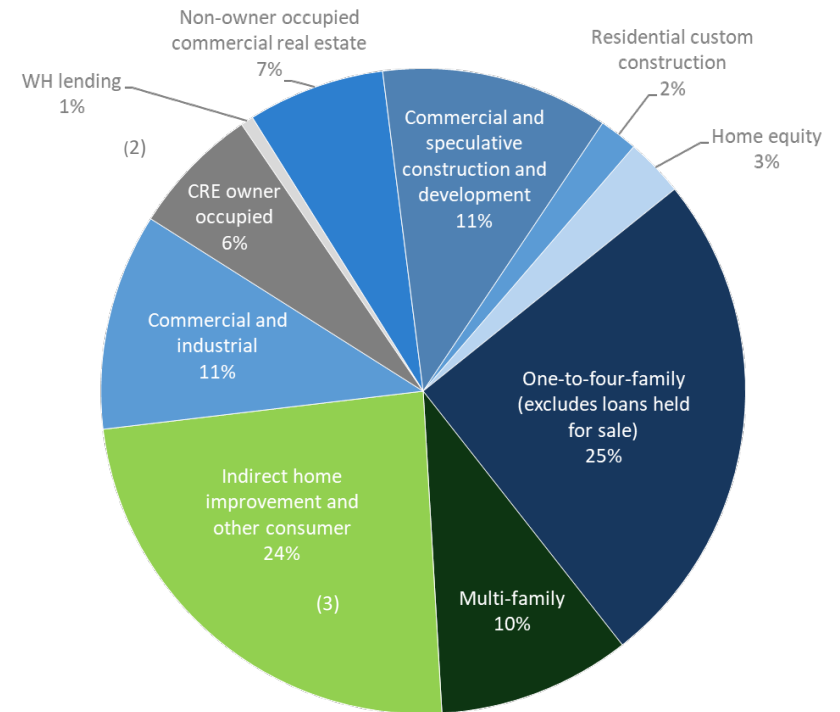
## LOAN PORTFOLIO SUMMARY

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



### Loan Composition at March 31, 2025

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



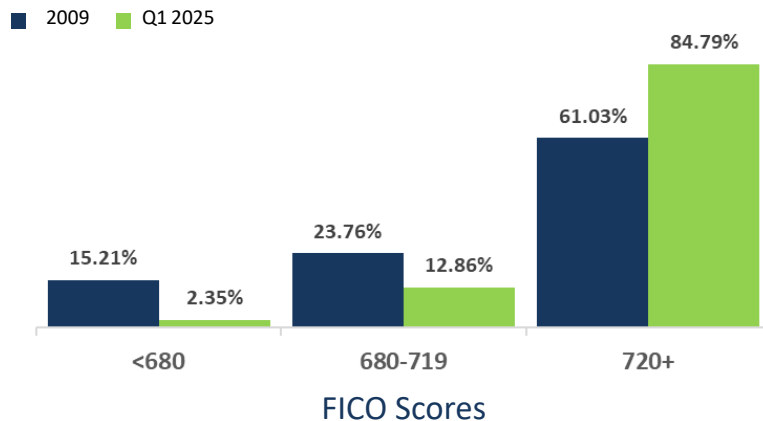
- (1) Loans including loans held for sale
- (2) WH = Warehouse
- (3) Other consumer includes marine loans

## CONSUMER LENDING

### Q1 2025 Highlights

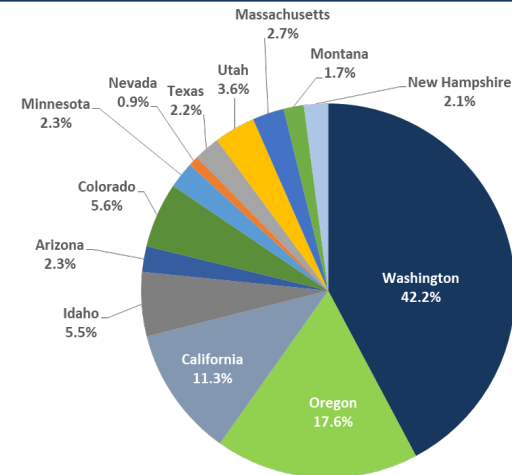
- Primarily home improvement and marine, UCC-2 or title secured
- Offered on an indirect basis and largely automated (with underwriter verification)
- \$609 million outstanding as of Q1 2025:
  - \$28 million in dealer originations
  - \$24 million, or 86%, with the top 10 dealers
  - Average outstanding portfolio yield of 7.73%, up from 7.65% in Q4 2024

### 2009 vs. Q1 2025 Portfolio Credit Quality

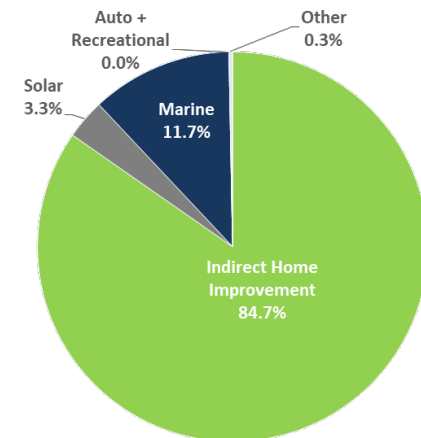


Source: Company documents

### Q1 2025 Dealer Production by State



### Consumer Portfolio Characteristics

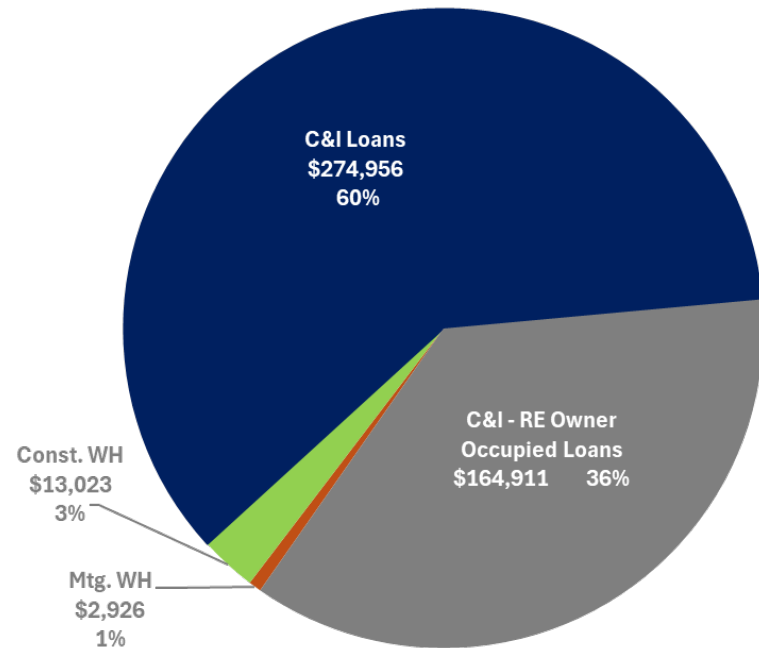


## COMMERCIAL BUSINESS LENDING

### Q1 2025 Commercial & Industrial (C&I)

- C&I commitments: \$660.7 million
- Outstanding balances were \$455.8 million at March 31, 2025, compared to \$470.3 million at December 31, 2024
- The \$14.5 million of quarter over sequential quarter decrease in outstanding balances was attributed to decreases of \$12.1 million in C&I and \$5.5 million in CRE owner occupied, partially offset by a \$3.0 million increase in Warehouse lending

### Q1 2025 Product Mix (\$M)

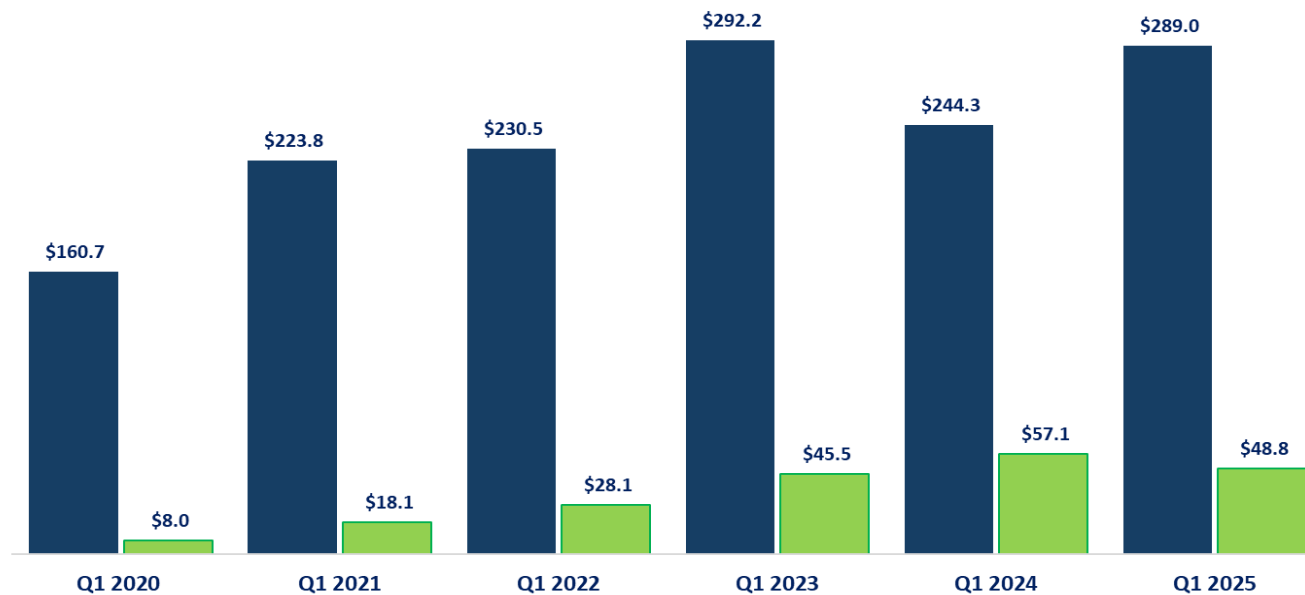


### CONSTRUCTION & DEVELOPMENT LENDING

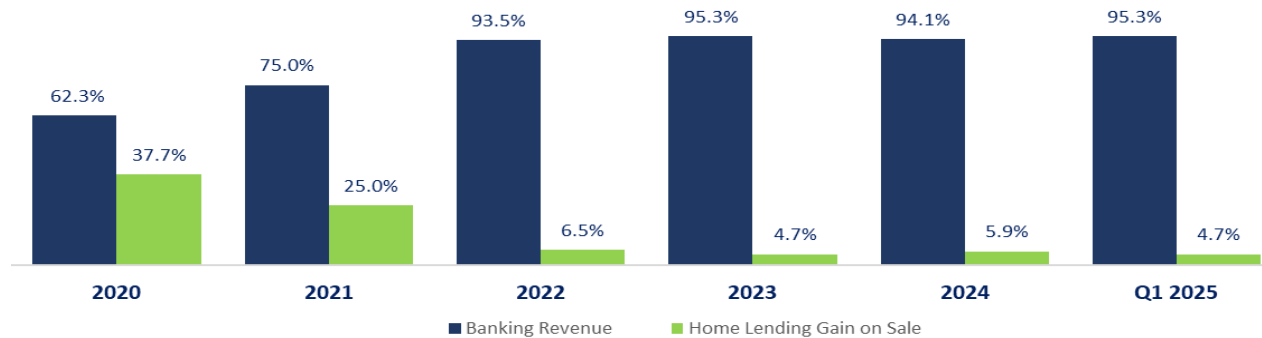
#### Q1 2025 Highlights

- Overall construction: \$518.9 million committed / \$337.8 million outstanding
- 8.51% 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

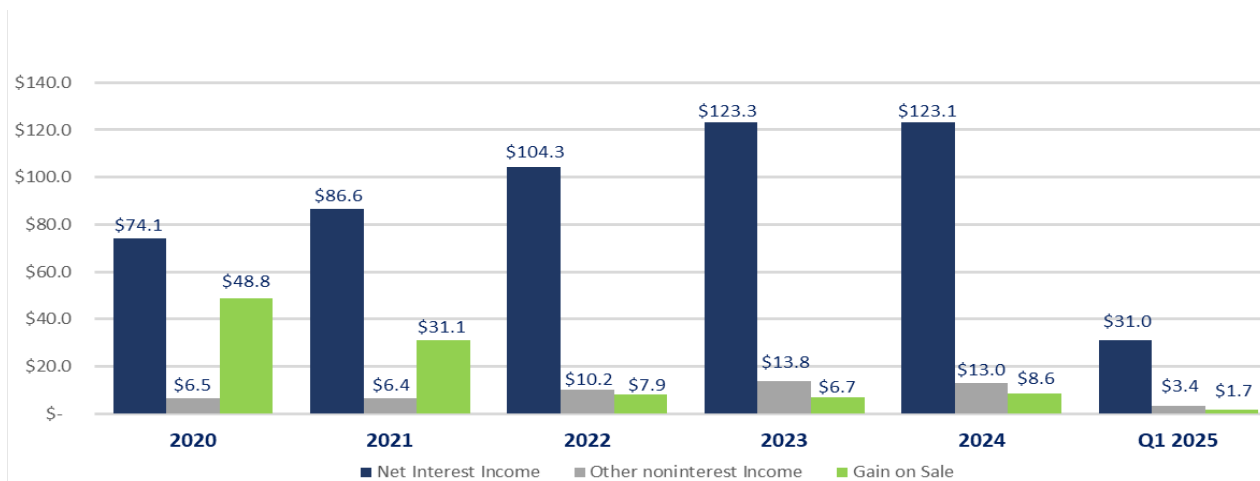
Quarterly C&D Loans Outstanding (\$M)



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

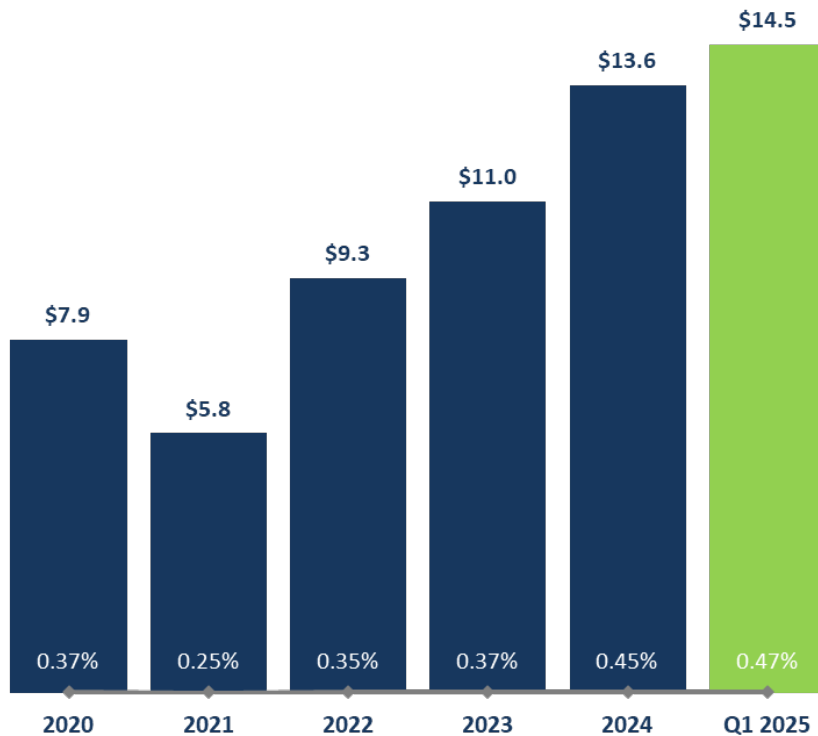


## Total Revenues (\$M)

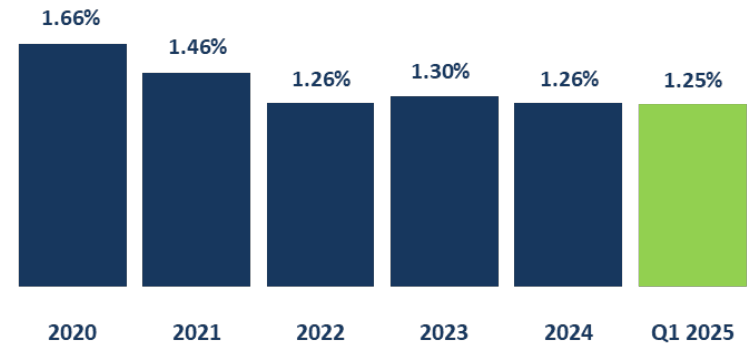


## ASSET QUALITY

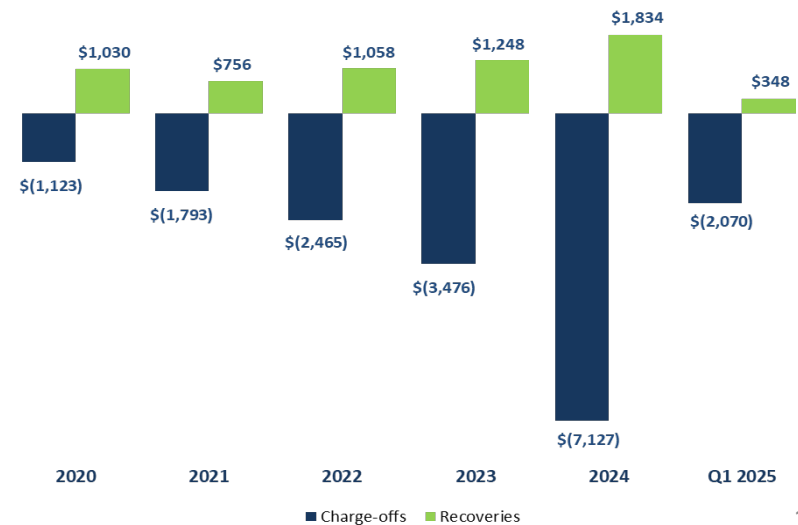
### Nonperforming Assets (\$M)<sup>(1)</sup> & NPAs/ Assets



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



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



(1) Nonperforming assets consists of nonperforming loans which include nonaccruing loans, foreclosed real estate and other repossessed assets

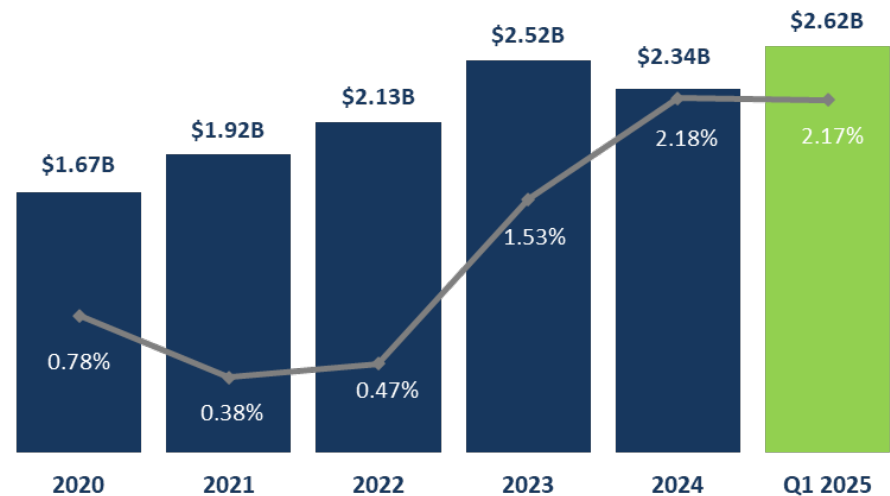
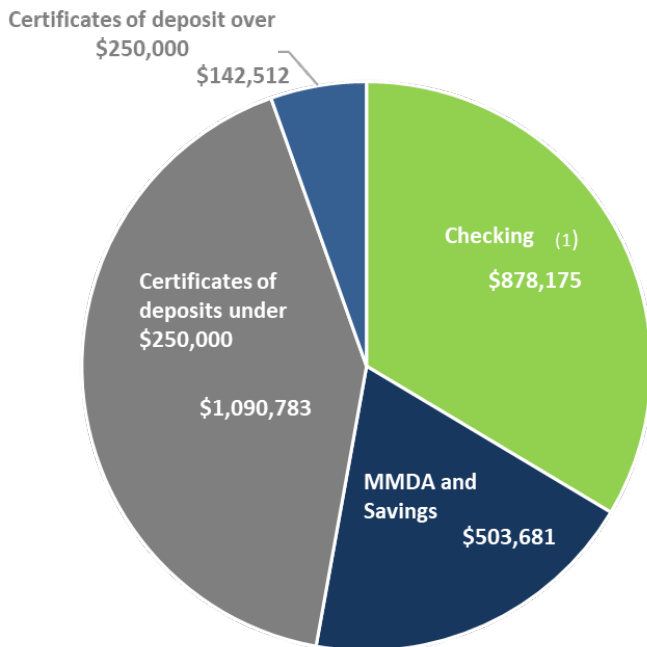
(2) Excluding HFS loans

## DEPOSIT COMPOSITION AND GROWTH

March 31, 2025

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

**Total Deposits: \$2.6 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 27.7% payout ratio compared to diluted earnings per share in the first quarter
- Consecutive quarterly cash dividend of \$0.28

### Shareholder Value

- Continued focus on increasing shareholder value through our business plan execution
- Repurchased 98,317 shares of common stock in the first quarter of 2025 at an average price of \$39.06 per share
- Tangible book value per share increased \$0.94 to \$36.96 at March 31, 2025

# **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)                                                      | March 31, 2025      | December 31, 2024   | September 30, 2024  | June 30, 2024       | March 31, 2024      |
|--------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Tangible Book Value Per Share:</b>                              |                     |                     |                     |                     |                     |
| Stockholders' equity                                               | \$ 298,840          | \$ 295,767          | \$ 288,902          | \$ 284,026          | \$ 277,932          |
| Goodwill and core deposit intangible, net                          | (16,471)            | (17,302)            | (18,178)            | (19,075)            | (19,994)            |
| <b>Tangible common stockholders' equity</b>                        | <b>\$ 282,369</b>   | <b>\$ 278,465</b>   | <b>\$ 270,724</b>   | <b>\$ 264,951</b>   | <b>\$ 257,938</b>   |
| <b>Common shares outstanding at end of period</b>                  | <b>7,639,844</b>    | <b>7,729,951</b>    | <b>7,713,359</b>    | <b>7,644,463</b>    | <b>7,707,651</b>    |
| <b>Common stockholders' equity (book value) per share (GAAP)</b>   | <b>\$ 39.12</b>     | <b>\$ 38.26</b>     | <b>\$ 37.45</b>     | <b>\$ 37.15</b>     | <b>\$ 36.06</b>     |
| <b>Tangible common stockholders' equity (tangible book value)*</b> | <b>\$ 36.96</b>     | <b>\$ 36.02</b>     | <b>\$ 35.10</b>     | <b>\$ 34.66</b>     | <b>\$ 33.47</b>     |
| <b>Tangible Common Equity Ratio:</b>                               |                     |                     |                     |                     |                     |
| Total Assets                                                       | \$ 3,066,078        | \$ 3,029,177        | \$ 2,970,208        | \$ 2,941,377        | \$ 2,969,705        |
| Goodwill and core deposit intangible, net                          | (16,471)            | (17,302)            | (18,178)            | (19,075)            | (19,994)            |
| <b>Tangible assets</b>                                             | <b>\$ 3,049,607</b> | <b>\$ 3,011,875</b> | <b>\$ 2,952,030</b> | <b>\$ 2,922,302</b> | <b>\$ 2,949,711</b> |
| <b>Common Equity</b>                                               | <b>\$ 298,840</b>   | <b>\$ 295,767</b>   | <b>\$ 288,902</b>   | <b>\$ 284,026</b>   | <b>\$ 277,932</b>   |
| <b>Common equity ratio (GAAP)</b>                                  | <b>9.75%</b>        | <b>9.76%</b>        | <b>9.73%</b>        | <b>9.66%</b>        | <b>9.36%</b>        |
| <b>Tangible common equity ratio (non-GAAP)</b>                     | <b>9.26%</b>        | <b>9.25%</b>        | <b>9.17%</b>        | <b>9.07%</b>        | <b>8.74%</b>        |

\*Per share (non-GAAP)

Source: Press Release

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