FS Bancorp, Inc.
Form 424B5
September 11, 2017
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-215810
Prospectus Supplement
(to prospectus dated February 10, 2017)
510,638 Shares
FS BANCORP, INC.
Common Stock

We are offering 510,638 shares of our common stock. Our common stock is quoted on the NASDAQ Capital Market under the symbol "FSBW." On September 7, 2017, the last reported sale price of our common stock on the NASDAQ Capital Market was $49.54 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page S-12 of this prospectus supplement and the discussion of risk factors contained in our Annual Report on Form 10-K, incorporated herein by reference, and in the other documents we file with the SEC from time to time for certain risks and uncertainties that you should consider. You should carefully read this prospectus supplement and the accompanying prospectus, including the information incorporated by reference herein, before you invest in our common stock.

	Per Share	Total
Public offering price	$ 47.00	$ 23,999,986
Underwriting discounts (1)	$ 2.82	$ 1,439,999
Proceeds to us (before expenses)	$ 44.18	$ 22,559,987

(1)
See "Underwriting" beginning on page S-21 for disclosure regarding the underwriting discounts, expenses payable to the underwriters and proceeds to us, before expenses.

The shares of our common stock are being offered through the underwriters on a firm commitment basis. We have granted the underwriters a 30-day option to purchase up to 76,596 additional shares of our common stock at the same price, and on the same terms, described herein solely to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of our common stock are not savings accounts, deposits or other obligations of a bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The underwriters expect to deliver the common stock in book-entry form only, through the facilities of The Depository Trust Company, against payment on or about September 12, 2017.

RAYMOND JAMES

D.A. Davidson & Co. FIG Partners, LLC

Prospectus Supplement dated September 7, 2017

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Prospectus Supplement

As used in this prospectus supplement, the terms “we,” “our,” “us,” “Company” and “FS Bancorp” refer to FS Bancorp, Inc. ar its consolidated subsidiaries, including 1st Security Bank of Washington, unless the context indicates otherwise. When we refer to “Bank” in this prospectus supplement, we are referring to 1st Security Bank of Washington, the wholly owned subsidiary of FS Bancorp, Inc.

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed materially since such dates.

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a “shelf” registration process. Under the shelf registration statement, we may offer and sell shares of our common stock described in the accompanying prospectus in one or more offerings. In this prospectus supplement, we provide you with specific information about the terms of this offering. Both this prospectus supplement and the accompanying prospectus include important information about us, our common stock and other information you should know before investing in our common stock. This prospectus supplement may also add, update and change information contained in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus, the statements made in the accompanying prospectus are deemed modified or superseded by the statements made in this prospectus supplement. You should read both this prospectus supplement and the accompanying prospectus as well as additional information described under “Where You Can Find More Information” in the accompanying prospectus before investing in our common stock.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including information included or incorporated by reference herein, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Exchange Act. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions that are not historical facts, and other statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “should,” “projects,” “estimates” or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations in the forward-looking statements, including those set forth in this prospectus supplement, the accompanying prospectus, any free writing prospectus or the documents incorporated by reference herein, including the “Risk Factors,” “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of our annual or quarterly reports, and other documents we file with the SEC:

- general economic conditions, either nationally or in our market areas (including Washington State, Idaho, Oregon and California), that are worse than expected;
- the credit risks of lending activities, including changes in the level and trend of loan delinquencies, write offs, changes in our allowance for loan losses, and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets;
- secondary market conditions and our ability to sell loans in the secondary market;

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- fluctuations in the demand for loans, the number of unsold homes, land and other properties, and fluctuations in real estate values in our market area;

- changes in the scope and cost of Federal Deposit Insurance Corporation, or FDIC, insurance and other coverage;

- the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation;

- changes in the interest rate environment that reduce our interest margins or reduce the fair value of our financial instruments;

- increased competitive pressures among financial services companies;

- our ability to execute our plans to grow our residential construction lending, our home lending operations, our warehouse lending, and the geographic expansion of our indirect home improvement lending;

- our ability to attract and retain deposits;

- our ability to identify potential acquisition candidates and consummate acquisitions of other financial institutions or financial service businesses and successfully integrate any assets, liabilities, customers, systems, and management personnel we may in the future acquire into our operations and to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;

- our ability to control operating costs and expenses;

- changes in consumer spending, borrowing, and savings habits;

- our ability to successfully manage our growth;

- legislative or regulatory changes that adversely affect our business, including the effect of the Dodd-Frank Wall Street Reform and Consumer Protection Act, changes in regulation policies and principles, an increase in regulatory capital requirements or change in the interpretation of regulatory capital or other rules, including as a result of Basel III;

- adverse changes in the securities markets;

-

changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Public Company Accounting Oversight Board or the Financial Accounting Standards Board;

- costs and effects of litigation, including settlements and judgments;
- our ability to implement our branch expansion strategy;
- geographic concentration of our business operations and clients;
- additional, or changes in, government intervention in the U.S. financial system;
- unexpected loss of key management personnel, relationship managers or private bankers;
- natural and man-made disasters, acts of terrorism, an outbreak of hostilities, and other matters beyond our control;
- cyber-crime and theft of our clients' personal and financial data;
- data processing system failures and errors;
- inability of key third-party vendors to perform their obligations to us;
- various risks related to this offering and an investment in our common stock described below; and
- other economic competitive, governmental, regulatory and technical factors affecting or operations, pricing, products and services.

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Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in "Risk Factors" beginning on page S-12, in our reports filed with the SEC from time to time (including our Annual Report on Form 10-K for the year ended December 31, 2016 which is incorporated by reference herein) and any risk factors included in any applicable prospectus supplement. We believe the expectations reflected in our forward-looking statements are reasonable, based on information available to us on the date hereof. However, given the described uncertainties and risks, we cannot guarantee our future performance or results of operations, and you should not place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable law. The risks described in our other SEC filings and in any applicable prospectus supplement should be considered when reading any forward-looking statements in this document.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary highlights material information contained elsewhere in this prospectus supplement and the accompanying prospectus and in the documents incorporated by reference herein. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the "Risk Factors" sections contained in this prospectus supplement, in our Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference herein, and in the other documents we file with the SEC from time to time, and our financial statements and the related notes and the other documents incorporated by reference herein, which are described under the heading "Incorporation of Certain Documents by Reference" in this prospectus supplement.

The Company

FS Bancorp, Inc. is a Washington corporation and a bank holding company registered under the Bank Holding Company Act of 1956, as amended. Our principal business is to serve as a holding company for 1st Security Bank of Washington (the "Bank"). The Bank has been serving the Puget Sound area since 1936. Originally chartered as a credit union, previously known as Washington's Credit Union, the Bank previously served various select employment groups. On April 1, 2004, the Bank converted to a Washington state-chartered mutual savings bank. On July 9, 2012, the Bank converted from mutual to stock ownership and became a wholly owned subsidiary of FS Bancorp, Inc.

The Company provides loan and deposit services to customers who are predominantly small and middle-market businesses and individuals in western Washington State through its 11 branches and seven loan production offices in various suburban communities in the greater Puget Sound area, and one loan production office in the market area of Tri-Cities, Washington. The Tri-Cities are a group of three closely tied cities: Richland, Kennewick, and Pasco. The Company services home mortgage customers throughout Washington State with an emphasis in the Puget Sound and Tri-Cities home lending markets. The Company also maintains its long-standing indirect consumer lending platform which operates predominantly in Washington, Oregon, Idaho and California.

At June 30, 2017, we had total assets of $928.6 million, total deposits of $785.7 million, and total stockholders' equity of $88.8 million.

Our common stock is traded on the NASDAQ Capital Market under the symbol "FSBW."

Our Business Strategy

The Company is relationship-driven delivering banking and financial services to local families, local and regional businesses and industry niches within distinct Puget Sound area communities, and one loan production office located in Tri-Cities, Washington. The Company emphasizes long-term relationships with families and businesses within the communities served, working with them to meet their financial needs. The Company is actively involved in community activities and events within these market areas, which further strengthens our relationships within those markets.

The Company focuses on diversifying revenues, expanding lending channels, and growing the banking franchise. Management remains focused on building diversified revenue streams based upon credit, interest rate, and concentration risks. Our business plan remains as follows:

- growing and diversifying our loan portfolio;
- maintaining strong asset quality;
- emphasizing lower cost core deposits to reduce the costs of funding our growth;

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- capturing our customers' full relationship by offering a wide range of products and services by leveraging our well-established involvement in our community;

- selectively emphasizing products and services designed to meet our customers' banking needs; and

- expanding the Company's markets.

The Company is a diversified lender with a focus on the origination of indirect home improvement loans, also referred to as fixture secured loans, commercial real estate mortgage loans, home loans, commercial business loans, and second mortgage/home equity loan products. Consumer loans, in particular indirect home improvement loans to finance window replacement, gutter replacement, siding replacement, solar panels, and other improvement renovations, represent the largest portion of our loan portfolio and have traditionally been the mainstay of our lending strategy. The Company services home mortgage customers throughout Washington State with an emphasis on the Puget Sound and Tri-Cities home lending markets. Since 2012, the Company has had an emphasis on diversifying lending products by expanding commercial real estate, commercial business and residential lending, while maintaining the current volume of production and historical growth of the consumer loan portfolio. The Company's lending strategies are intended to take advantage of:

- recent market consolidation that has created new lending opportunities and the availability of experienced bankers;

- strength in relationship lending; and

- historical strength in indirect consumer lending.

Retail deposits will continue to serve as our primary funding source.

Our Banking Markets

The Company conducts operations out of its main administrative office, seven loan production offices, and eleven full-service bank branch offices in the Puget Sound region of Washington State, as well as one loan production office in eastern Washington. The administrative office is located in Mountlake Terrace, in Snohomish County, Washington. The four stand-alone home lending offices in the Puget Sound region are located in Puyallup, in Pierce County, Bellevue, in King County, Port Orchard, in Kitsap County, Everett, in Snohomish County, and the one stand-alone home lending office is located in Tri-Cities (Kennewick), in Benton County, Washington.

The following table presents, for each of our above-described primary market areas, the number of branches the Bank operates in the market area, the approximate amount of deposits with the Bank in the market area as of June 30, 2016 and our approximate deposit market share in each county at June 30, 2016 (the latest date for which such data is available).

Counties	Number of Branches	Deposits (in millions)	Market Share
Clallam	2	$ 118.5	7.7%
Jefferson	2	65.9	13.2
King	2	108.9	0.1
Kitsap	1	28.1	0.9

Pierce	1	48.6	0.5
Snohomish	4	301.7	2.8

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Management Team

The experience, depth and knowledge of our management team, dedicated Board of Directors, and talented employees, is one of our greatest strengths and competitive advantages. Our executive management team is led by Joseph C. Adams, Matthew D. Mullet, Robert B. Fuller, Kelli B. Nielsen, Dennis V. O'Leary, Drew B. Ness, Donn C. Costa and Debbie L. Steck. The management team has a lengthy history together. Messrs. Mullet, Fuller, O'Leary, Costa and Ms. Steck also worked together at another community bank prior to that bank's merger in 2010. Biographies of the management team are included below.

Joseph C. Adams is a director and has been the Chief Executive Officer of 1st Security Bank of Washington since July 2004. He joined 1st Security Bank of Washington in April 2003 as its Chief Financial Officer, when the Bank was known as Washington's Credit Union. Mr. Adams also served as Supervisory Committee Chairperson from 1993 to 1999. Mr. Adams is a lawyer having worked for Deloitte as a tax consultant, K&L Gates as a lawyer and then at Univar USA as a lawyer and Director, Regulatory Affairs.

Matthew D. Mullet joined 1st Security Bank of Washington in July 2011 and was appointed Chief Financial Officer in September 2011. Mr. Mullet started his banking career in June 2000 as a financial examiner with the Washington State Department of Financial Institutions, Division of Banks, where he worked until October 2004. From October 2004 until August 2010, Mr. Mullet was employed at Golf Savings Bank, Mountlake Terrace, Washington, where he served in several financial capacities, including as Chief Financial Officer from May 2007 until August 2010. In August 2010, Golf Savings Bank was merged with Sterling Savings Bank, where Mr. Mullet held the position of Senior Vice President of the Home Loan Division until resigning and commencing work at 1st Security Bank of Washington.

Robert B. Fuller joined 1st Security Bank of Washington as Chief Credit Officer in September 2013. Prior to his employment with the Bank, Mr. Fuller served as Chief Financial Officer/Chief Credit Officer for Blueprint Capital, REIT in 2013, Chief Credit Officer for Core Business Bank during 2012, and Chief Credit Officer for Plaza Bank during 2011, and in credit administration at Golf Savings Bank/Sterling Bank during 2009 and 2010. Mr. Fuller also served as Executive Vice President, Chief Operating Officer, and Chief Financial Officer for Golf Savings Bank from March 2001 to September 2006 and was a member of the integration team for the Golf Savings Bank sale to Sterling Savings Bank in 2006. Mr. Fuller started his banking career at US Bank of Washington's mid-market production team and has over 29 years of banking experience.

Kelli B. Nielsen joined 1st Security Bank of Washington in June 2016 and is the Executive Vice President of Retail Banking and Marketing. Prior to her employment with the Bank, Ms. Nielsen was the Senior Vice President of Retail Banking, Marketing and Training for Sound Community Bank in Seattle, Washington from August 2012 to May 2016. Ms. Nielsen serves as the current Retail Leadership Chair and has sat on the Education Committee for the Washington Bankers Association (WBA) for 14 years. Ms. Nielsen is a graduate of the ABA- Stonier Graduate School of Banking and is a Task Force Committee member for the Women at Stonier as well as a Capstone Advisor for year three students at the Stonier School of Banking. She is also a Certified Life Coach from the Life Coach Institute of Orange County, California.

Dennis V. O'Leary joined 1st Security Bank of Washington as Senior Vice President — Consumer, Small Business and Construction Lending in August 2011 and currently holds the position of Chief Lending Officer. Prior to his employment with the Bank, Mr. O'Leary previously was employed by Sterling Savings Bank from July 2006 until August 2011 as Senior Vice President and Puget Sound Regional Director of the residential construction lending division. Sterling Savings Bank acquired Golf Savings Bank in 2006 where Mr. O'Leary had served as Executive Vice President, Commercial Real Estate Lending, having previously served in various senior lending positions at Golf Savings Bank since June 1985.

Drew B. Ness joined 1st Security Bank of Washington as Chief Operating Officer in 2008. Mr. Ness has over 26 years of diverse banking experience, including retail branch sales and service, branch network and project management, and national customer service training. He

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served as Vice President and Manager of the Corporate Deposit Operations Department for Washington Federal in Seattle, Washington from February 2008 until August 2008, following its acquisition of First Mutual Bank. Mr. Ness served as Vice President and Administrative/Operations Manager of the Retail Banking Group at First Mutual Bank in Bellevue, Washington from 2004 through February 2008 and, prior to that, in various management positions for Bank of America in Seattle, Washington and Newport Beach, California.

Donn C. Costa, Executive Vice President, Home Lending joined 1st Security Bank of Washington in October 2011. He previously held the position of Executive Vice President at Sterling Savings Bank, Mountlake Terrace, Washington after the merger of Golf Savings Bank into Sterling Savings Bank in August 2006, and held the position of Executive Vice President at Golf Savings Bank in Mountlake Terrace, Washington since 2006. Mr. Costa began as a loan officer at Phoenix Mortgage Company in Seattle, Washington from 1987 to 1994 and has more than 25 years of home lending experience.

Debbie L. Steck, Executive Vice President, Home Lending Operations, joined 1st Security Bank of Washington in September 2011. Prior to her employment at the Bank, she served as Chief Operating Officer and Vice President at Sterling Savings Bank after the merger with Golf Savings Bank into Sterling Savings Bank and held that position with Golf Savings Bank for several years prior to that. Ms. Steck has over 30 years of experience in the mortgage industry.

The management team is complemented by a dedicated board of directors with extensive local knowledge and a wide range of experience including accounting, business, banking, law, management, finance, health care and real estate. We believe that our officers' and directors' experience and local market knowledge are valuable assets.

In addition, we believe that we have assembled a group of highly talented employees by being an employer of choice in the markets we serve. We employed a total of 324 full-time equivalent employees as of June 30, 2017. Our employees are skilled in the areas of banking, information technology, management, sales, advertising and marketing, among others.

Strong Credit Quality

As illustrated below, we believe that our credit quality has been strong.

At June 30, 2017, nonperforming loans totaled \$754,000, representing 0.1% of our gross loans, compared to nonperforming loans of \$721,000, representing 0.1% of our gross loans at December 31, 2016.

At June 30, 2017, nonperforming assets totaled \$754,000, representing 0.1% of our total assets, compared to nonperforming assets of \$736,000, representing 0.1% of our total assets at December 31, 2016.

We realized net loan charge-offs of \$4,000 in the quarter ended June 30, 2017 compared with net recoveries of \$26,000 for the year ended December 31, 2016.

We continue to actively monitor credit quality, and adjust the allowance for loan and lease losses ("ALLL") to ensure that the ALLL is maintained at a level that is adequate to cover estimated credit losses in our loan portfolio. For the six months ended June 30, 2017, no provision for loan losses was recorded, compared to \$1.2 million for the six months ended June 30, 2016. The lack of a provision for loan losses for the six months ended June 30, 2017 was a result of the low level of charge-offs and the low level of delinquent, nonperforming and classified loans, as well as the increased percentage of real estate loans and improving real estate values in our market areas. The unallocated ALLL has also been reduced as a result of the increased experience with the additional lending products that have been emphasized by the Bank since 2012. Net charge-offs totaled \$68,000 during the six months ended June 30, 2017, compared to \$34,000 during the six months ended June 30, 2016. Our ALLL as a percentage of gross loans was 1.4% as of June 30, 2017 compared to 1.7% as of December 31, 2016.

At June 30, 2017, we did not have any other real estate owned.

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Positioned for Continued Growth
Loan growth, excluding loans held for sale, in the second quarter of 2017 was 57.6% (annualized) and reflects long term investments in our diversified lending products. At the conclusion of this offering, we believe that we will have increased pro forma capital levels which will support further growth. See "Capitalization" on page S-19 of this prospectus supplement.
As a result of our continued growth we believe that our assets are likely to exceed $1 billion. Once our assets exceed $1 billion our holding company (FS Bancorp, Inc.) will become subject to the same regulatory capital requirements the Bank is subject to. The Bank is currently "well capitalized" under applicable banking regulations and we believe that the Company will also be deemed to be "well capitalized" when it becomes subject to the regulatory capital requirements.
Additional Information
Our main office is located at 6920 220th Street SW, Mountlake Terrace, Washington 98043, and the telephone number is (425) 771-5299. Our website is www.fsbwa.com. The information on our website (and accessible through our website) does not constitute a part of, and is not incorporated by reference in, this prospectus supplement.

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The Offering

The following summary contains basic information about this offering and our common stock and is not intended to be complete. It does not contain all of the information that may be important to you. For a more complete understanding of all of the terms and provisions of our common stock, please refer to the section of this prospectus supplement entitled "Description of Our Capital Stock," and our articles of incorporation and amended and restated bylaws, copies of which will be provided upon request.

Issuer

FS Bancorp, Inc.

Securities Offered Hereby

Up to 510,638 shares of the Company's common stock, $0.01 par value per share (or 587,234 shares if the underwriters exercise their option to purchase additional shares in full).

Underwriters' Option to Purchase Additional Shares

We have granted the underwriters an option to purchase up to an additional 76,596 shares from us within 30 days of the date of this prospectus supplement in order to cover overallotments, if any.

Common Stock to be Outstanding after This Offering

3,598,306 shares (or 3,674,902 shares if the underwriters exercise their option to purchase additional shares in full) (1).

Public Offering Price

$47.00 per share of common stock.

Use of Proceeds

We expect to receive net proceeds from this offering of approximately $22.3 million (or approximately $25.7 million if the underwriters exercise their option to purchase additional shares in full), after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for general corporate purposes, including contributing to the capital of the Bank to support its lending and investing activities and to support or fund acquisitions of other institutions or branches as and if opportunities for such transactions become available. We do not, however, have any immediate plans, arrangements or understandings relating to any material acquisition, or to repay certain borrowings. We will retain broad discretion over the use of the net proceeds from this offering. See "Use of Proceeds" in this prospectus supplement.

(1)
The number of shares of our common stock outstanding after this offering is based on 3,087,668 shares of our common stock issued and outstanding as of September 7, 2017. Unless otherwise noted, these references exclude:

- 261,487 shares of common stock are issuable upon exercise of outstanding options to purchase shares of common stock under our 2013 Equity Incentive Plan as of September 7, 2017, at a weighted average exercise price of $16.89 per share (of which options to acquire 134,687 shares of our common stock were vested as of September 7, 2017); and

- 2,013 shares of our common stock reserved for issuance under our 2013 Equity Incentive Plan.

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NASDAQ Capital Market Symbol

FSBW

Dividends and Distributions

We are authorized to pay dividends as declared by our Board of Directors, subject the availability of sufficient funds under Washington law and laws applicable to a bank holding company. On July 27, 2017, our Board of Directors declared a quarterly cash dividend of $0.11 per share, which was paid on August 24, 2017 to shareholders of record as of August 9, 2017. Any future dividends will be subject to board approval. As we are a legal entity separate and distinct from the Bank, our principal source of funds with which we can pay dividends to our stockholders is dividends we receive from the Bank. The Bank, in turn, is subject to various regulations and other restrictions on its ability to pay dividends to us. For that reason, our ability to pay dividends is subject to the limitations that apply to the Bank. For additional information, see “Risk Factors — Risks Related to Our Common Stock and This Offering” and “Market for Common Stock and Dividend Policy.”

Risk Factors

See “Risk Factors” beginning on page S-12 of this prospectus supplement, as well as in our reports filed with the SEC (including in our Annual Report on Form 10-K for the year ended December 31, 2016 which is incorporated by reference into this prospectus supplement), and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should consider carefully before deciding to invest in our common stock.

Unless otherwise indicated, all information in this prospectus supplement assumes no exercise of the underwriters’ option to purchase additional shares of common stock and no exercise of any outstanding options to purchase common stock (as of the date of this prospectus supplement, there are options outstanding to purchase an aggregate of 261,487 shares of our common stock).

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Selected Historical Financial Information

The following selected financial information at or for the fiscal years ended December 31, 2016, 2015, 2014, 2013 and 2012 is derived from audited consolidated financial statements of the Company. The financial information at or for the six months ended June 30, 2017 and 2016 is derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Company considers necessary for fair presentation of the financial results of operations for such periods. The operating results for the six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2017. We have presented certain information in the table below on a non-GAAP (as defined below) basis. We believe that this non-GAAP information, when taken together with the corresponding information calculated in accordance with GAAP, provide meaningful supplemental information regarding our performance for the periods indicated. Reconciliations for the non-GAAP measures included in the table are provided below. The financial data below should be read in conjunction with the financial statements and notes thereto incorporated by reference in this prospectus supplement. You should read this table together with the historical consolidated financial information contained in our consolidated financial statements and related notes incorporated by reference herein, as well as our "Management's Discussion and Analysis of Financial Condition and Results of Operation" included in our Annual Report on Form 10-K for the year ended December 31, 2016 and in our Quarterly Report on Form 10-Q for the six months ended June 30, 2017, each of which has been filed with the SEC and is incorporated by reference in this prospectus supplement.

	Six Months Ended June 30,		Year Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
	(Unaudited)		(In thousands)				
Summary of Operations							
Total interest and dividend income	$ 21,170	$ 17,986	$ 38,020	$ 31,707	$ 24,842	$ 21,733	$ 18,787
Total interest expense	2,229	2,071	4,163	3,658	2,702	2,178	2,363
Net interest income	18,941	15,915	33,857	28,049	22,140	19,555	16,424
Provision for loan losses	—	1,200	2,400	2,250	1,800	2,170	2,913
Net interest income after provision for loan losses	18,941	14,715	31,457	25,799	20,340	17,385	13,511
Service charges and fee income	1,864	1,590	3,391	1,977	1,762	1,807	1,993
Gain on sale of loans	8,815	8,801	19,058	14,672	7,577	6,371	3,684
(Impairment) recovery on long-lived assets	—	—	—	—	(9)	—	165
Gain (loss) on sale of investment securities	237	—	146	76	(41)	264	—
Gain on sale of mortgage servicing	958	—	—	—	—	—	—

rights							
Earnings on cash surrender value of BOLI	140	139	282	216	187	83	—
Other noninterest income	363	347	692	652	557	390	322
Total noninterest income	12,377	10,877	23,569	17,593	10,033	8,915	6,164
Total noninterest expense	21,321	18,527	38,923	29,643	23,902	20,361	16,477
Income before provision for income taxes	9,997	7,065	16,103	13,749	6,471	5,939	3,198
Provision (benefit) for income taxes	3,045	2,569	5,604	4,873	1,931	2,019	(2,097)
Net income	$ 6,952	$ 4,496	$ 10,499	$ 8,876	$ 4,540	$ 3,920	$ 5,295

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	At or for the Six Months Ended June 30,		At or for the Year Ended December 31,				
	2017	2016	2016	2015	2014	2013	201
	(Unaudited)		(Dollars in thousands, except share data)				
Selected Financial Condition Data:							
Total assets	$ 928,582	$ 783,920	$ 827,926	$ 677,561	$ 509,754	$ 419,187	$ 3
Loans receivable, net (1)	709,102	550,104	593,317	502,535	387,174	281,081	2
Loans held for sale, at fair value	57,256	63,696	52,553	44,925	25,983	11,185	8
Securities available-for-sale, at fair value	78,932	97,728	81,875	55,217	48,744	56,239	4
Allowance for loan losses	10,143	8,951	10,211	7,785	6,090	5,092	4
FHLB stock, at cost	3,909	1,600	2,719	4,551	1,650	1,702	1
Deposits	785,697	666,116	712,593	485,178	420,444	336,876	2
Borrowings	30,669	19,670	12,670	98,769	17,034	16,664	6
Subordinated note, net	9,835	9,815	9,825	9,805	—	—	–
Total stockholders' equity	88,824	76,051	81,033	75,340	65,836	62,313	5
Selected Financial Ratios and Other Data							
Selected average balances							
Total assets	$ 870,793	$ 783,432	$ 799,020	$ 584,369	$ 453,779	$ 386,654	$ 3
Stockholders' equity	82,914	74,440	75,841	69,751	63,151	60,996	4
Performance ratios:							
Return on assets (ratio of net income to average total assets)	1.61%(7)	1.15%(7)	1.31%	1.52%	1.00%	1.01%	1
Return on equity (ratio of net income to average equity)	16.91(7)	12.15(7)	13.84	12.73	7.19	6.43	1

Yield on average interest-earning assets	5.13	4.82	4.97	5.67	5.74	5.93	6
Rate paid on average interest-bearing liabilities	0.73	0.60	0.74	0.83	0.80	0.77	0
Net interest margin (2)	4.59(7)	4.26(7)	4.43	5.01	5.12	5.33	5
Average loans receivable to average deposits	92.55	88.22	91.60	105.21	98.48	92.55	9
Operating expense to average total assets	4.94	4.76	4.87	5.07	5.27	5.27	5
Efficiency ratio (3)	68.08	69.15	67.78	64.95	74.29	71.52	7
Asset quality ratios:							
Non-performing assets to total assets at end of period (4)	0.08%	0.08%	0.09%	0.15%	0.08%	0.77%	1
Non-performing loans to total gross loans (5)	0.10	0.11	0.12	0.20	0.11	0.38	0
Allowance for loan losses to non-performing loans (5)	1,345.23	1,443.71	1,416.23	765.49	1,406.47	462.49	2
Allowance for loan losses to gross loans receivable	1.41	1.60	1.69	1.52	1.54	1.77	1
Per share data:							
Book value per common share	30.40(8)	26.73(9)	28.32(10)	25.18(11)	22.48(12)	20.55(13)	1
Tangible book value per common share(6)	29.09	25.22	26.91	25.18	22.48	20.55	1
Basic earnings	$ 2.40	$ 1.54	$ 3.63	$ 2.98	$ 1.52	$ 1.29	$ 1
Diluted earnings	$ 2.25	$ 1.50	$ 3.51	$ 2.93	$ 1.52	$ 1.29	$ 1
Shares outstanding at period end:	3,075,168	3,056,107	3,059,503	3,242,120	3,235,625	3,240,125	3
Average common shares – basic	2,891,116	2,920,923	2,896,209	2,978,165	2,979,099	3,032,757	3

Average common shares – diluted	3,084,392	3,002,712	2,990,159	3,032,517	2,986,064	3,032,757	3

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(1)
Net of allowances for loan losses, loans in process and deferred loan costs, fees, premiums and discounts.

(2)
Net interest income divided by average interest earning assets.

(3)
Total noninterest expense as a percentage of net interest income and total other noninterest income.

(4)
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.

(5)
Non-performing loans consists of non-accruing loans and accruing loans more than 90 days past due.

(6)
Tangible book value per common share is a non-GAAP financial measure. See "— Use of Non-GAAP Financial Measures and Ratios" below.

(7)
Annualized.

(8)
Book value per common share was calculated using shares outstanding of 3,056,107 at June 30, 2016, less 68,763 shares of restricted stock, and unallocated ESOP shares of 142,566.

(9)
Book value per common share was calculated using shares outstanding of 3,075,168 at June 30, 2017 less 36,842 shares of restricted stock, and unallocated ESOP shares of 116,645.

(10)
Book value per common share was calculated using shares outstanding of 3,059,503 at December 31, 2016, less 68,763 shares of restricted stock, and unallocated ESOP shares of 129,605.

(11)
Book value per common share was calculated using shares outstanding of 3,242,120 at December 31, 2015, less 94,684 shares of restricted stock, and unallocated ESOP shares of 155,526.

(12)
Book value per common share was calculated using shares outstanding of 3,235,625 at December 31, 2014, less 125,105 shares of restricted stock, and unallocated ESOP shares of 181,447.

(13)
Book value per common share was calculated using shares outstanding of 3,240,125 at December 31, 2013, less unallocated ESOP shares of 207,368.

(14)

Book value per common share was calculated using shares outstanding of 3,240,125 at December 31, 2012, less unallocated employee stock ownership plan (“ESOP”) shares of 233,289.

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Use of Non-GAAP Financial Measures and Ratios

In addition to results presented in accordance with generally accepted accounting principles utilized in the United States ("GAAP"), the Selected Historical Financial Information contains the tangible book value per common share, which is a non-GAAP financial measure. Tangible assets and tangible common stockholders' equity are calculated by excluding intangible assets from assets and stockholders' equity, respectively. For these financial measures, 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 measure is consistent with the capital treatment by our bank regulatory agencies, 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.

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. Further, this non-GAAP financial measure of tangible book value per share should not be considered in isolation or as a substitute for book value per share or total stockholders' equity determined in accordance with GAAP and may not be comparable to a similarly titled measure reported by other companies.

Reconciliation of the GAAP and non-GAAP financial measures are presented below. The Bank did not have any goodwill or core deposit intangibles prior to 2016. As a result, tangible common stockholder's equity was the same as stockholders equity and tangible assets was the same as total assets for periods prior to 2016.

	At June 30,		At December 31,	
	2017	2016	2016	2015
	(Dollars in thousands, except share data)			
GAAP Reconciliation – tangible book value and tangible assets				
Tangible book value				
Stockholders' equity	$ 88,824	$ 76,051	$ 81,033	$ 75,340
Goodwill and core deposit intangible, net	(3,829)	(4,309)	(4,029)	—
Tangible common stockholders' equity	$ 84,995	$ 71,742	$ 77,004	$ 75,340
Common shares outstanding at end of period	2,921,681	2,844,778	2,861,135	2,991,910
Common stockholders' equity (book value) per share (GAAP)	$ 30.40	$ 26.73	$ 28.32	$ 25.18
Tangible common stockholders' equity (tangible book value) per share (non-GAAP)	$ 29.09	$ 25.22	$ 26.91	$ 25.18
Tangible assets				
Total assets	$ 928,582	$ 783,920	$ 827,926	$ 677,561
Goodwill and core deposit intangible	(3,829)	(4,309)	(4,029)	—
Tangible assets (non-GAAP)	$ 924,753	$ 779,611	$ 823,897	$ 677,561
Tangible common stockholders' equity to tangible assets (non-GAAP)	9.19%	9.20%	9.35%	11.12%

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RISK FACTORS

An investment in our common stock involves certain risks. Before you invest in our common stock, you should be aware that there are various risks, including those described below that could affect the value of your investment in our common stock in the future. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. The risk factors described in this section, as well as any cautionary language in this prospectus supplement, provide examples of risks, uncertainties and events that could have a material adverse effect on our business, including our operating results and financial condition. This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. These risks could cause our actual results to differ materially from the expectations that we describe in our forward-looking statements. You should carefully consider the risks described below and the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2016, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, and in the other documents we file with the SEC from time to time before making an investment decision. Some statements in this prospectus supplement, including statements in the following risk factors, constitute forward-looking statements. See the "Cautionary Note Regarding Forward-Looking Statements" section in this prospectus supplement and the "Special Note Regarding Forward-Looking Statements" section in the accompanying prospectus.

Risks Associated with this Offering and an Investment in Our Common Stock

The market price of our common stock may decline after this offering.

The price per share at which we sell the common stock may be more or less than the market price of our common stock on the date this offering is consummated. If the purchase price is greater than the market price at the time of sale, purchasers will experience an immediate decline in the market value of the common stock purchased in this offering. If the actual purchase price is less than the market price for the shares of common stock, some purchasers in the offering may be inclined to immediately sell shares of common stock to attempt to realize a profit. Any such sales, depending on the volume and timing, could cause the price of our common stock to decline. Purchasers should consider these possibilities in determining whether to purchase shares in this offering and the timing of any sales of shares of common stock.

The shares of our common stock are not heavily traded.

Shares of our common stock are listed on the NASDAQ Capital Market, but the shares are not heavily traded. For example, the average daily trading volume of our shares on NASDAQ during the month of July 2017 was approximately 3,945. There can be no assurance that a more active trading market for our shares will develop or can be sustained in the future. Securities that are not heavily traded can be more volatile than stock trading in an active public market. Factors such as our financial results, the introduction of new products and services by us or our competitors, and various factors affecting the banking industry generally may have a significant impact on the market price of shares of our common stock. Given the relatively low trading volume of our common stock, significant sales of our common stock in the public market, or the perception that those sales may occur, could cause the trading price of our common stock to decline or to be lower than it otherwise might be in the absence of those sales or perceptions. Management cannot predict the extent to which an active public market for shares or our common stock will develop or be sustained in the future. Accordingly, holders of shares of our common stock may not be able to sell them at the volumes, prices or times that they desire. Additionally, the lack of an active trading market for our shares may make it more difficult for us to sell shares in the future to raise additional capital and to offer our shares as consideration for acquisitions of other banks or other financial services businesses.

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The market prices and trading volume of our common stock may be volatile.

Even if an active market develops for our common stock, the market prices of our common stock may be volatile and the trading volume may fluctuate and cause significant price variations to occur. We cannot assure you that, if a market does develop for our common stock, the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the prices of our shares or result in fluctuations in those prices or in trading volume of our common stock could include the following, many of which are outside of our control:

- quarterly variations in our operating results or in the quality of our earnings or assets;
- operating results that differ from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- the implementation of our growth strategy and performance, or successful integration, of acquired businesses that vary from the expectations of our management, securities analysts and investors;
- the enactment of new more costly government regulations that are applicable to our businesses or the imposition of additional regulatory restrictions on us;
- our dividend policy and any changes that might occur to that policy in the future;
- future sales (or other issuances) by us of our common stock or any other of our equity securities;
- changes in global financial markets and global economies and general market conditions, such as changes in interest rates or fluctuations in stock, commodity or real estate valuations;
- additions or departures of key management personnel;
- any increased indebtedness we may incur in the future;
- the contents of published research reports about us or our industry or the failure of securities analysts to cover our common stock after this offering;
- actions by institutional stockholders;

- litigation and governmental investigations;
- speculation or reports by the press or investment community with respect to us or our industry in general; and
- announcements of strategic developments, material acquisitions and other material events in our business or in the businesses of our competitors.

These broad market and industry factors may decrease the market price of our common stock, regardless of our actual operating performance. The stock market in general has from time to time experienced extreme price and volume fluctuations, including in recent months. In addition, in the past, following periods of volatility in the overall market and the market price of a company’s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management’s attention and resources.

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There can be no assurance we will be able to continue paying dividends on the common stock at recent levels.
We may not be able to continue paying quarterly dividends commensurate with recent levels given that the ability to pay dividends on our common stock depends on a variety of factors. The payment of dividends is subject to government regulation in that regulatory authorities may prohibit banks and bank holding companies from paying dividends that would constitute an unsafe or unsound banking practice. Our ability to pay dividends is subject to certain regulatory requirements. The Board of Governors of the Federal Reserve System ("Federal Reserve Board") generally prohibits a bank holding company from declaring or paying a cash dividend which would impose undue pressure on the capital of subsidiary banks or would be funded only through borrowing or other arrangements that might adversely affect a financial services holding company's financial position. The Federal Reserve Board policy is that a bank holding company should not continue its existing rate of cash dividends on its common stock unless its net income is sufficient to fully fund each dividend and its prospective rate of earnings retention appears consistent with its capital needs, asset quality and overall financial condition. The power of the board of directors of an insured depository institution to declare a cash dividend or other distribution with respect to capital is subject to statutory and regulatory restrictions which limit the amount available for such distribution depending upon the earnings, financial condition and cash needs of the institution, as well as general business conditions.
As a result, future dividends will generally depend on the level of earnings at the Bank.
Under Washington law, the Company is prohibited from paying a dividend if, as a result of its payment, the Company would be unable to pay its debts as they become due in the normal course of business, or if the Company's total liabilities would exceed its total assets. The principal source of funds for the Company is dividend payments from the Bank. According to Washington law, the Bank may not declare or pay a cash dividend on its capital stock if it would cause its net worth to be reduced below (1) the amount required for liquidation accounts or (2) the net worth requirements, if any, imposed by the Director of the Washington State Department of Financial Institutions ("DFI"). Dividends on the Bank's capital stock may not be paid in an aggregate amount greater than the aggregate retained earnings of the Bank, without the approval of the Director of the DFI.
No assurances can be given that the Bank will, in any circumstances, pay dividends to us. As discussed under "The holders of our subordinated notes have rights that are senior to those of our holders of common stock and that may impact our ability to pay dividends on our common stock to our common shareholders and reduce net income available to our common shareholders" we have outstanding an unsecured subordinated term note in the aggregate principal amount of $10.0 million due October 1, 2025 (the "Subordinated Note"). The Subordinated Note prohibits us from declaring or paying any dividends or distributions on, or redeeming, repurchasing, acquiring or making any liquidation payments with respect to, any of our capital stock at any time when there shall have occurred and be continuing an event of default under the subordinated loan agreement. If the Bank fails to make dividend payments to us, and sufficient cash or liquidity is not otherwise available, we may not be able to make principal and interest payments on our outstanding debt or dividend payments on our common stock. Any reduction or elimination of our common stock dividends in the future could adversely affect the market price of our common stock.
Anti-takeover provisions in our Articles of Incorporation could make a third party acquisition of us difficult.
Provisions in our articles of incorporation and bylaws, the corporate laws of the State of Washington and federal regulations could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our stockholders, or otherwise adversely affect the market price of our common stock. These provisions include, among others: a prohibition on voting shares of common stock beneficially owned in excess of 10 percent of total shares outstanding without the prior approval of a majority of our whole board (defined as the total number of directors we would have if there were no vacancies on the board); supermajority voting requirements for certain

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business combinations with any person who beneficially owns 10 percent or more of our outstanding common stock; the election of directors to staggered terms of three years; advance notice requirements for nominations for election to our board of directors and for proposing matters that shareholders may act on at shareholder meetings; supermajority voting requirements to remove any of our directors; and only allowing our chief executive officer or a majority of the board of directors to call special meetings of shareholders. See "Description of Common Stock and Preferred Stock — Anti-takeover Effects" in the accompanying prospectus. Our articles of incorporation also authorize our board of directors to issue preferred stock, and preferred stock could be issued as a defensive measure in response to a takeover proposal.

These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for holders of our common stock to elect directors other than the candidates nominated by our board of directors.

We will retain broad discretion in using the net proceeds from this offering and we might not use such net proceeds effectively.

As described below under "Use of Proceeds," we intend to use the net proceeds of this offering for general corporate purposes, including but not limited to contributing to the capital of the Bank to support lending and investing activities and to support or fund acquisitions of other institutions or branches as and if opportunities for such transactions become available, or to repay certain borrowings, although we do not have any immediate plans, arrangements or understandings relating to any material acquisition. We have not designated the amount of net proceeds we will use for any particular purpose and our management will retain broad discretion to allocate the net proceeds of this offering. The net proceeds may be applied in ways with which some investors in this offering may not agree. Moreover, our management may use the net proceeds of this offering for corporate purposes that may not increase our market value or make us more profitable. In addition, it may take time to effectively deploy the net proceeds from this offering. Until the net proceeds of this offering are effectively deployed, our return on equity and earnings per share may be negatively impacted. Management's failure to use the net proceeds of this offering effectively could have an adverse effect on our business, financial condition and results of operations, and the market value of our common stock.

We may issue additional shares of common stock, preferred stock or equity, debt or derivative securities in the future, which could adversely affect the market price or voting power of your shares of common stock.

We are not restricted from issuing additional shares of common stock or preferred stock, including securities that are convertible into or exchangeable for, or that represent the right to receive our common stock. In addition, we are not prohibited from issuing additional securities which are senior to our common stock. In addition, our board of directors has authority to issue senior and subordinated debt without further shareholder approval. Because our decision to issue securities in any future offering will depend in part on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future offerings.

Our articles of incorporation authorize 45,000,000 shares of common stock and 5,000,000 shares of preferred stock of which 3,075,168 shares of common stock and no shares of preferred stock were outstanding as of June 30, 2017. At June 30, 2017 there were 273,987 shares of our common stock subject to stock options outstanding with a weighted average exercise price of $16.89 per share. Shares of our common stock eligible for future sale, including those that may be issued in connection with our various stock option and equity compensation plans, in possible acquisitions, and any other offering of our common stock for cash, may result in the dilution of the value and/or voting power of the shares of our common stock you purchase in this offering, and could adversely affect the market value of our common stock.

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The holders of our existing and future indebtedness have rights that are senior to those of our holders of common stock and that may impact our ability to pay dividends on our common stock.

The shares of our common stock represent equity interests in us and do not constitute indebtedness. Accordingly, the shares of our common stock will rank junior to all of our existing and future indebtedness and to other non-equity claims on the Company with respect to assets available to satisfy claims on the Company.

On October 15, 2015, the Company issued an unsecured subordinated term note in the aggregate principal amount of $10.0 million due October 1, 2025. The Subordinated Note bears interest at an annual interest rate of 6.50%, payable by the Company quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing on the first such date following the closing date and on the maturity date. The Subordinated Note will mature on October 1, 2025 but may be prepaid at the Company's option and with regulatory approval at any time on or after five years after the closing date or at any time upon certain events, such as a change in the regulatory capital treatment of the Subordinated Note or the interest on the Subordinated Note no longer being deductible by the Company for United States federal income tax purposes. The Subordinated Note is intended to qualify as Tier 2 capital under the applicable capital adequacy rules and regulations promulgated by the Federal Reserve Board. The Subordinated Note is subordinate and junior in right of payment to the prior payment in full of all existing and future claims of creditors of the Company, whether now outstanding or subsequently created. The Subordinated Note ranks equally with all of the Company's other present or future unsecured subordinated debt whether now outstanding or subsequently created, except any of its unsecured subordinated debt which may be expressly stated to be subordinated to the Subordinated Note. However, the Subordinated Note ranks senior to all future junior subordinated debt obligations, preferred stock and common stock of the Company. This means that we must make payments due under the Subordinated Note before any dividends can be paid on our common stock, and in the event of our bankruptcy, dissolution or liquidation, all outstanding principal and accrued and unpaid interest under the Subordinated Note must be paid in full before any dividends or other distributions can be made on our common stock.

The Company is a bank holding company under the Bank Holding Company Act of 1956, as amended, and its only significant asset is its wholly owned subsidiary (the Bank). In addition, our right to participate in any distribution of assets of the Bank upon liquidation or otherwise, and thus your ability as a holder of our common stock to benefit indirectly from such distribution, will be subject to the prior claims of creditors and depositors of the Bank, including the liquidation account that was established in connection with the Bank's mutual to stock conversion, except to the extent that any of our claims as a creditor of the Bank may be recognized as having any priority. As a result, holders of our common stock will be effectively subordinated to all existing and future liabilities and obligations of the Bank. At June 30, 2017, the Bank's total deposits and borrowings were approximately $826.2 million.

Unless it is able to raise capital through other equity or debt offerings, the Company generally has no other source of funds other than dividends and other distributions from the Bank. As discussed under "Market for Common Stock and Dividend Policy", the Company's ability to pay dividends to its shareholders will depend on the Bank's ability to pay dividends to the Company.

You will incur immediate dilution as a result of this offering.

If you purchase common stock in this offering, you will pay more for your shares than our existing net tangible book value per share. As a result, you will incur immediate dilution of $15.74 per share, representing the difference between the public offering price of $47.00 per share and our adjusted net tangible book value per share after giving effect to this offering.

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An investment in our common stock is not an insured deposit and is not guaranteed by the FDIC, so you could lose some or all of your investment.

An investment in our common stock is not a bank deposit and is not insured against loss or guaranteed by the FDIC, any other deposit insurance fund or by any other public or private entity. An investment in our common stock is inherently risky for the reasons described herein. As a result, if you acquire our common stock, you could lose some or all of your investment.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of our common shares in this offering, after underwriting discounts and estimated offering expenses, will be approximately $22.3 million. If the underwriters exercise their option to purchase additional shares in full, we estimate that our net proceeds, after underwriting discounts and offering expenses, will be approximately $25.7 million.

We intend to use the net proceeds from this offering for general corporate purposes, including contributing to the capital of the Bank to support its lending and investment activities, to support or fund acquisitions of other institutions or branches as and if opportunities for such transactions become available, or to repay certain borrowings, although we do not have any immediate plans, arrangements or understandings relating to any material acquisition.

Our management will have broad discretion in the application of the net proceeds of this offering, and investors will be relying on the judgment of our management with regard to the use of these net proceeds. Pending the use of the net proceeds from this offering as described above, we may invest the net proceeds in short-term, investment-grade, interest-bearing instruments.

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CAPITALIZATION

The following table sets forth our capitalization, including regulatory capital ratios, as of June 30, 2017:

- on an actual basis; and

- on an "as adjusted" basis after giving pro forma effect to the sale of 510,638 shares of common stock in this offering based on the public offering price of $47.00 per share, as if the offering had been completed on June 30, 2017 (assuming the net proceeds of the offering are $22.3 million, after deducting the estimated underwriting discount and estimated offering expenses, and further assuming that the underwriters' over-allotment option is not exercised).

The "as adjusted" information below is illustrative only. You should read this table in conjunction with our consolidated financial statements and the notes thereto for the year ended December 31, 2016, and the "Management's Discussion and Analysis of Financial Condition and Results of Operation" included in our Annual Report on Form 10-K for the year ended December 31, 2016, the unaudited consolidated financial statements and the notes thereto for the six months ended June 30, 2017, and the "Management's Discussion and Analysis of Financial Condition and Results of Operation" included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, and the "Selected Historical Financial Information" and "Use of Proceeds" sections included in this prospectus supplement, together with the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

	At June 30, 2017 (unaudited)	
	Actual	As Adjusted
	(Dollars in thousands, except per share data)	
Long-term debt:		
Subordinated note	$ 9,835	$ 9,835
Other long-term debt	30,669	30,669
Total long-term debt	$ 40,504	$ 40,504
Shareholders' 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, 3,075,168 shares outstanding; 3,585,306 shares outstanding, as adjusted (1)	31	36
Additional paid-in capital	28,208	50,488
Retained earnings	61,920	61,920
Accumulated other comprehensive loss, net of tax	(87)	(87)
Unearned shares – Employee Stock Ownership Plan	(1,248)	(1,248)
Total shareholders' equity	$ 88,824	$ 111,109
Book value per share (2)	$ 30.40	$ 32.37
Tangible common book value per share (3)	$ 29.09	$ 31.26
Equity to total assets ratio (3)	9.57%	11.69%
Tangible equity to tangible assets ratio (3)(4)	9.19%	11.33%
Regulatory capital ratios (3)(5):		

Tier 1 leverage-based capital ratio	9.50%	11.98%
Tier 1 risk-based capital ratio	11.24%	14.17%
Common equity Tier 1 capital	11.24%	14.17%
Total risk-based capital ratio	12.49%	15.42%

(1)
The number of as adjusted shares of common stock issued and outstanding assumes the issuance of 510,638 shares of our common stock upon the consummation of this offering. The

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actual and as adjusted numbers of shares of issued and outstanding common stock exclude 273,987 shares of common stock are issuable upon exercise of outstanding options to purchase shares of common stock under our 2013 Equity Incentive Plans as of June 30, 2017, at a weighted average exercise price of $16.89 per share (of which options to acquire 147,187 shares of our common stock were vested as of June 30, 2017); and 2,013 shares of our common stock reserved for issuance under our 2013 Equity Incentive Plan.

(2)
Book value per share as of June 30, 2017 equals our total shareholders' equity as of that date divided by the 2,921,681 shares of our common stock that were outstanding on that date. The as-adjusted book value per share as of June 30, 2017 equals our as-adjusted shareholders' equity as of that date divided by the 3,432,319 shares of our common stock assumed to be outstanding after this offering.

(3)
For purposes of this table, we have assumed that the net proceeds of this offering will be invested in securities which carry no risk weighting for purposes of all adjusted risk-based capital ratios. If the underwriters exercise their overallotment option in full, the net proceeds of this offering would be $25.7 million, in which event our equity to total assets, tangible equity to tangible assets, Tier 1 leverage-based capital ratio, our Tier 1 risk-based capital ratio and our common equity tier 1 capital ratio, would be 12.0%, 11.6%, 12.4% and 14.6%, respectively.

(4)
Non-GAAP financial information. See "Selected Historical Financial Information — Use of Non-GAAP Financial Measures and Ratios".

(5)
Represents regulatory capital ratios of the Company.

MARKET FOR COMMON STOCK AND DIVIDEND POLICY

The principal market on which our common stock is traded is the NASDAQ Capital Market. Our common stock is listed under the trading symbol "FSBW." The following table sets forth the high and low sales prices of our common stock on the NASDAQ Capital Market, as well as volume and dividend information, for the periods indicated.

	Sales Price Per Share				
	High	Low	Close	Volume	Dividends
2015:					
First Quarter	$ 19.49	$ 17.80	$ 19.36	162,900	$ 0.06
Second Quarter	$ 22.75	$ 19.05	$ 22.45	242,800	$ 0.07
Third Quarter	$ 24.29	$ 21.55	$ 23.58	306,800	$ 0.07
Fourth Quarter	$ 26.49	$ 23.00	$ 26.00	208,600	$ 0.07
2016:					
First Quarter	$ 26.48	$ 22.05	$ 25.19	445,900	$ 0.07
Second Quarter	$ 26.26	$ 24.32	$ 25.35	458,500	$ 0.10
Third Quarter	$ 29.51	$ 25.13	$ 29.19	261,200	$ 0.10
Fourth Quarter	$ 38.81	$ 27.80	$ 35.95	273,500	$ 0.10
2017:					
First Quarter	$ 39.70	$ 34.10	$ 37.33	298,700	$ 0.10
Second Quarter	$ 46.45	$ 36.05	$ 43.77	351,600	$ 0.11
Third Quarter (through September 7, 2017)	$ 51.72	$ 42.77	$ 49.54	383,500	$ 0.11

The closing sales price for our common stock on September 7, 2017, as reported on the NASDAQ Capital Market, was $49.54 per share. As of September 7, 2017, there were approximately 141 holders of record of our common stock. The actual number of shareholders may be greater than this number of record holders, and includes shareholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include shareholders whose shares may be held in trust by other entities.