FS Bancorp (FSBW)

Updated October 22nd, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$39	**5 Year Annual Expected Total Return:**	9.2%	**Market Cap:**	$287.8 M
Fair Value Price:	$42	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	11/06/2025
% Fair Value:	92%	**5 Year Valuation Multiple Estimate:**	1.6%	**Dividend Payment Date:**	11/20/2025
Dividend Yield:	2.9%	**5 Year Price Target**	$54	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

FS Bancorp, founded in September 2011, is the holding company for 1st Security Bank, which transitioned from a mutual to a stock savings bank in July 2012. The bank operates 27 full-service branches across Washington and Oregon, along with 11 loan production offices, serving the Puget Sound area. It offers a diversified range of loans, including commercial real estate, residential mortgages, and consumer loans, with an emphasis on indirect home improvement lending. The bank's relationship-driven approach is central to its service strategy. FS Bancorp has a market cap of $287.8 million. Last year, it generated total interest and dividend income of $184.8 million.

On October 21st, 2025, FS Bancorp posted its Q3 results for the period ending September 30th, 2025. The bank reported net interest income of $33.7 million, up 7.8% from Q3 2024. Its net interest margin came in at 4.37% versus 4.35% in Q3 2024. Noninterest income totaled $5.6 million, down from $6.0 million last year, while noninterest expenses were $25.4 million, slightly below $25.8 million a year earlier. The company's net income for the quarter was $9.2 million, or $1.18 per share, compared to $10.3 million, or $1.29 per share, in Q3 2024. For FY2025, we project EPS of $4.20.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.49	$1.81	$2.28	$3.29	$2.57	$4.58	$4.48	$3.75	$4.63	$4.48	***$4.20***	***$5.36***
DPS	$0.14	$0.19	$0.22	$0.27	$0.33	$0.42	$0.56	$0.80	$1.00	$1.08	***$1.12***	***$1.43***
Shares[1]	6.0	5.8	6.2	7.4	8.8	8.5	8.2	7.8	7.7	7.7	***7.5***	***7.3***

FS Bancorp has achieved robust growth over the past decade, driven by a blend of acquisitions and organic expansion—a proven approach among regional banks. Since transitioning from a mutual to a stock savings bank in 2012, FS Bancorp has consistently increased EPS, rising from $1.49 in 2015 to $4.48 in 2024. This translates to a CAGR of 13%. It has historically achieved industry-beating net income margins too, which have helped compound its growth.

When it comes to acquisitions, FS Bancorp has expanded its footprint and customer base through a series of acquisitions over the past decade. Notable acquisitions include the purchase of four retail bank branches on the Olympic Peninsula from Bank of America in 2016, which added $186.4 million in deposits to the company. In 2018, FS Bancorp acquired Anchor Bancorp, which brought in $357.9 million in deposits and $361.6 million in loans, significantly strengthening its presence in the Puget Sound region by adding nine full-service branches. Most recently, in 2023, the company acquired seven retail bank branches from Columbia State Bank, further expanding its operations into Oregon and boosting its deposit base by $425.5 million along with $66.1 million in loans.

Alongside its M&A activity, FS Bancorp has achieved substantial organic growth by reinvesting profits into expanding its lending operations and improving its service delivery. Notably, FS Bancorp has consistently achieved an industry-leading Net Interest Margin (NIM), which was 4.13% in 2021, 4.46% in 2022, 4.48% in 2023, and 4.30% in 2024. For perspective, the average NIM across the U.S. banking sector stood at about 3.3% in 2023, illustrating FS Bancorp's outperformance.

[1] Share count is in millions.

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Looking ahead, we remain optimistic about the company's growth prospects. However, given that we are starting from a high EPS base in 2025, driven by a particularly favorable interest rate environment, we have prudently applied a below-average growth rate of 5% in our estimates. This rate has also been applied to the dividend forecast.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	6.9	7.2	8.8	8.2	10.1	5.2	6.7	8.5	6.7	8.1	***9.2***	***10.0***
Avg. Yld.	1.4%	1.5%	1.1%	1.0%	1.3%	1.8%	1.9%	2.5%	3.2%	3.0%	***2.9%***	***2.7%***

FS Bancorp has consistently traded at a P/E ratio in the high-single digits to low teens, which is typical for regional banks. Today, the stock is trading at 9.2 times our projected EPS for the year, a multiple we believe undervalues the stock. This is especially the case given FS Bancorp's strong track record of outperforming the industry in when it comes to its NIM, which is commendable. Thus, we maintain our fair P/E at the same multiple of 10 times EPS. The dividend yield currently stands at 2.9% and is notably higher that the stock's historical average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	9%	10%	10%	8%	13%	9%	13%	21%	22%	24%	***27%***	***27%***

FS Bancorp's competitive advantage, as is the case with most regional banks, lies in its relationship-driven approach. The company has successfully leveraged its deep ties within the Puget Sound community to build a loyal customer base that has supported steady deposit growth and diversified lending. Further, FS Bancorp's ability to maintain a NIM well above the industry average demonstrates its effective asset and liability management, contributing to strong profitability even in tough economic conditions. Evidently, the company's dividend has grown every single year since its inception in 2012.

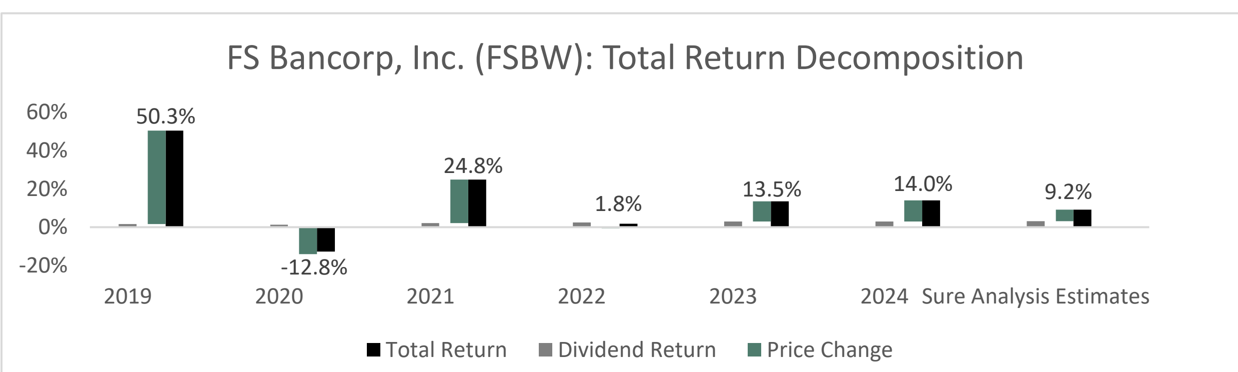
Despite these strengths, FS Bancorp's concentration in specific geographic areas could expose it to regional economic downturns in the future, potentially limiting its recession resiliency. While the company has shown an ability to navigate economic fluctuations, its reliance on niche lending markets may present challenges if those areas face significant stress.

In any case, we believe the dividend remains safe and won't be threatened anytime soon. As of Q3, the bank had strong capital ratios (a Tier 1 leverage ratio of 11.0% and a Total risk-based capital ratio of 13.8%), above regulatory minimums.

Final Thoughts & Recommendation

FS Bancorp's strong community presence and footprint in the regions it serves make it an attractive option for investors looking to gain exposure to a well-managed regional bank with a robust track record of consistent earnings and dividend growth. We forecast annualized returns of 9.2% through 2030, driven by our growth estimates, the 2.9% starting yield, and the possibility of a valuation tailwind. We rate the stock as a hold.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	44	55	63	69	90	127	121	120	141	142
SG&A Exp.	18	23	28	30	35	39	51	50	57	58
D&A Exp.	2	5	4	5	12	14	15	14	13	11
Net Profit	9	10	14	24	23	39	37	30	36	35
Net Margin	20.1%	19.1%	22.5%	35.4%	25.2%	30.8%	30.8%	24.8%	25.5%	24.6%
Free Cash Flow	(9)	(0)	14	18	7	(34)	107	183	76	49
Income Tax	5	6	6	4	5	11	10	7	9	6.6

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	678	828	982	1,622	1,713	2,113	2,286	2,633	2,973	3,029
Cash & Equivalents	37	52	37	55	67	104	37	46	90	33
Accounts Receivable	2	3	4	6	6	7	8	11	14	14
Goodwill & Int. Ass.	6	12	10	19	19	20	23	24	38	26.5
Total Liabilities	602	747	860	1,442	1,513	1,883	2,039	2,401	2,708	2,733
Long-Term Debt	109	22	17	147	95	113	92	236	143	349
Shareholder's Equity	75	81	122	180	200	230	248	232	264	296
LTD/E Ratio	1.44	0.28	0.14	0.82	0.47	0.49	0.37	1.02	0.54	1.18

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.5%	1.4%	1.6%	1.9%	1.4%	2.1%	1.7%	1.2%	1.3%	1.2%
Return on Equity	12.6%	13.4%	13.9%	16.1%	11.9%	18.3%	15.7%	12.4%	14.5%	12.5%
ROIC	6.7%	7.3%	11.6%	10.4%	7.3%	12.3%	11.0%	7.3%	8.2%	7.3%
Shares Out.	6.0	5.8	6.2	7.4	8.8	8.5	8.2	7.8	7.7	7.9
Revenue/Share	7.27	9.21	9.52	8.89	9.98	14.78	14.42	15.20	18.18	17.99
FCF/Share	(1.41)	(0.00)	2.14	2.28	0.74	(3.91)	12.71	23.29	9.77	6.23

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.