

FS Bancorp, Inc.  
Form S-4/A  
September 24, 2018

As filed with the Securities and Exchange Commission on September 24 , 2018.  
Registration No. 333-227224

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 2  
FORM S-4  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933

FS BANCORP, INC.  
(Exact name of registrant as specified in its charter)

Washington 6036 45-4585178  
(State or other jurisdiction of (Primary Standard Industrial (I.R.S. Employer  
incorporation or organization) Classification Code Number) Identification No.)

6920 220th Street SW  
Mountlake Terrace, Washington 98043  
(425) 771-5299

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Joseph C. Adams  
Chief Executive Officer  
FS Bancorp, Inc.  
6920 220th Street SW  
Mountlake Terrace, Washington 98043

(425) 771-5299

(Name, address, including zip code, and telephone number, including area code, of agent for service)  
Copies of communications to:

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1201 Third Avenue, Suite 3200	8180 Greensboro Drive, Suite 785
Seattle, Washington 98101	McLean, Virginia 22102
(206) 623-1900	(703) 883-1100

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Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after the effective date of this registration statement and upon consummation of the transactions described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", "non-accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated Filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ☐

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ☐

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# CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price (2)	Amount of registration fee (3)
Common Stock, \$0.01 par value	725,585 shares	N/A	\$41,359,100	\$5,150*

\*Previously paid.

Represents an estimate of the maximum number of shares of FS Bancorp, Inc. ("FS Bancorp") common stock, (1) \$0.01 par value per share, estimated to be issuable upon consummation of the merger of Anchor Bancorp, ("Anchor") with and into FS Bancorp as described herein.

Estimated solely for purposes of calculating the registration fee pursuant to Rules 457(c) and 457(f)(1) and (3) under the Securities Act of 1933, as amended (the "Securities Act"). The proposed maximum aggregate offering price was calculated based upon the market value of shares of Anchor common stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) as the product of (x) \$29.05, the average of the high and low prices of the Anchor common stock as reported on the Nasdaq Capital Market on September 5, 2018, multiplied by (y) 2,484,030, the estimated maximum number of shares of Anchor common stock to be received by FS Bancorp in exchange for the shares of FS Bancorp common stock being registered hereby, reduced by (z) the estimated amount of cash consideration (\$30,801,972, computed by multiplying (a) the cash consideration of \$12.40 per share of Anchor common stock by (b) the estimated maximum number of shares of Anchor common stock that may be cancelled in the merger) to be paid for such shares by FS Bancorp in the merger.

(3) Calculated in accordance with Rule 457(f) under the Securities Act by multiplying the proposed maximum aggregate offering price by 0.0001245.

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The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. We may not issue the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROXY STATEMENT/PROSPECTUS – SUBJECT TO COMPLETION–DATED SEPTEMBER 24 , 2018

To the Shareholders of Anchor Bancorp:

You are cordially invited to attend the special meeting of shareholders of Anchor Bancorp ("Anchor"). The special meeting will be held at the Lacey Community Center, 6729 Pacific Avenue SE, Lacey, Washington, 98503 on Tuesday, November 13 , 2018, at 10:00 a.m., local time.

As described in the enclosed proxy statement/prospectus, the board of directors of Anchor has approved the merger agreement that provides for the merger of Anchor with and into FS Bancorp, Inc. ("FS Bancorp"), with FS Bancorp being the surviving entity in the merger. We are seeking your vote on this important transaction, as well as the other matters to be considered at the special meeting.

If the merger is completed, each share of Anchor common stock that is outstanding immediately prior to the merger, other than dissenting shares and cancelled shares (as such terms are defined in the merger agreement) will be converted into the right to receive 0.2921 of a share of FS Bancorp common stock (the "exchange ratio") and \$12.40 in cash (together the "merger consideration"). As of July 17, 2018, the closing price of FS Bancorp's common stock immediately prior to the public announcement of the merger agreement, was \$61.80 and on September 21 , 2018, the most recent trading day practicable before the printing of this proxy statement/prospectus, the closing price of FS Bancorp common stock was \$54.53 . We urge you to obtain current market quotations for FS Bancorp common stock (NASDAQ: trading symbol "FSBW") and Anchor common stock (NASDAQ: trading symbol "ANCB").

We cannot complete the merger unless the holders of a majority of the outstanding shares of Anchor common stock vote to approve the merger agreement. Your vote is very important. Anchor will hold its special meeting of shareholders on November 13 , 2018 to vote on the merger agreement. Your board of directors recommends that you vote FOR approval of the merger agreement and the other items to be considered at the special meeting. Whether or not you plan to attend the special meeting, please take the time to vote on the proposal to approve the merger agreement and the other matters to be considered by following the instructions that accompany your proxy card and casting your vote by internet, by telephone, or by returning your completed, signed and dated proxy card in the enclosed envelope (please allow a minimum of 10 days for your proxy card to be processed). Please vote as soon as possible to make sure that your shares are represented at the special meeting. If you do not vote, it will have the same effect as voting against the merger agreement.

We encourage you to read carefully the detailed information about the merger contained in this proxy statement/prospectus, including the section entitled "Risk Factors" beginning on page 14 . The proxy statement/prospectus incorporates important business and financial information and risk factors about FS Bancorp that are not included in or delivered with this document. See the section entitled "Where You Can Find More Information" on page 157 .

We look forward to seeing you at the special meeting.

Jerald L. Shaw  
President and Chief Executive Officer  
Anchor Bancorp

Neither the Securities and Exchange  
Commission nor any state securities  
commission or bank regulatory agency  
has approved or disapproved the shares  
of FS Bancorp common stock to be

issued in the merger or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The securities that FS Bancorp is offering through this proxy statement/prospectus are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of FS Bancorp or Anchor, and they are not insured by the Federal Deposit Insurance Corporation or any other government agency.

This proxy statement/prospectus is dated September 26 , 2018 and is first being mailed to Anchor shareholders or otherwise delivered to Anchor shareholders on or about October 4 , 2018.

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## REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about FS Bancorp from documents filed with the Securities and Exchange Commission, or the SEC, that are not included in or delivered with this proxy statement/prospectus. You can obtain any of the documents filed with or furnished to the SEC by FS Bancorp at no cost from the SEC's website at [www.sec.gov](http://www.sec.gov) or by requesting them in writing or by telephone from FS Bancorp:

FS Bancorp, Inc.  
6920 220th Street SW  
Mountlake Terrace, Washington 98043  
Attn: Investor Relations  
(425) 771-5299

All website addresses given in this proxy statement/prospectus are for information only and are not intended to be an active link or to incorporate any website information into this proxy statement/prospectus.

You should rely only on the information contained in, or incorporated by reference into, this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated September 26, 2018, and you should assume that the information in this proxy statement/prospectus is accurate only as of such date. You should assume that the information incorporated by reference into this proxy statement/prospectus is accurate as of the date of the document that includes such information. Neither the mailing of this proxy statement/prospectus to Anchor shareholders nor the issuance by FS Bancorp of shares of FS Bancorp common stock in connection with the merger will create any implication to the contrary.

Please note that copies of this proxy statement/prospectus provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into this proxy statement/prospectus.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this proxy statement/prospectus regarding FS Bancorp has been provided by FS Bancorp and information contained in this proxy statement/prospectus regarding Anchor has been provided by Anchor.

If you would like to request documents, please do so by October 29, 2018 in order to receive them before Anchor's special meeting of shareholders. See the section entitled "Where You Can Find More Information" on page 157.

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Anchor Bancorp  
601 Woodland Square Loop SE  
Lacey, Washington 98503

## NOTICE OF SPECIAL MEETING OF ANCHOR SHAREHOLDERS

- Date: November 13, 2018
- Time: 10:00 a.m., local time  
Lacey Community Center
- Place: 6729 Pacific Avenue SE  
Lacey, Washington 98503

### TO OUR SHAREHOLDERS:

We are pleased to notify you of and invite you to a special meeting of shareholders. At the special meeting, you will be asked to vote on the following matters:

- approval of the Agreement and Plan of Merger, dated as of July 17, 2018, by and between FS Bancorp, Inc. ("FS Bancorp") and Anchor Bancorp ("Anchor") (the "merger agreement"). The merger agreement provides the terms and conditions under which it is proposed that Anchor merge with and into FS Bancorp, as described in the accompanying proxy statement/prospectus;
- a proposal of the Anchor board of directors to adjourn or postpone the special meeting, if necessary or appropriate to solicit additional proxies in favor of the merger agreement (which we refer to as the "adjournment proposal"); and
- any other business that may be properly submitted to a vote at the special meeting or any adjournment or postponement of the special meeting.

Only shareholders of record at the close of business on September 17, 2018 are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. The affirmative vote of the holders of a majority of the outstanding shares of Anchor common stock as of that date is required to approve the merger agreement. The adjournment proposal will be approved if a majority of the votes cast are voted in favor of the proposal.

In connection with the proposed merger, you may exercise dissenters' rights as provided under the Revised Code of Washington. If you meet all of the requirements under applicable Washington law, and follow all of its required procedures, you may receive cash in the amount equal to the fair value of your shares of common stock. The procedure for exercising your dissenters' rights is summarized under the heading "Dissenters' Rights" in the attached proxy statement/prospectus. The relevant Washington statutory provisions regarding dissenters' rights are attached to this document as Appendix C.

Anchor's board of directors has unanimously approved the merger agreement, believes that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Anchor and its shareholders, and unanimously recommends that Anchor shareholders vote "FOR" the approval of the merger agreement and "FOR" the adjournment proposal.

Your vote is very important. To ensure that your shares are voted at the special meeting, please follow the instruction accompanying your proxy card and cast your vote by internet, by telephone by returning your completed, signed, and dated proxy card in the enclosed envelope.

BY ORDER OF  
THE BOARD OF  
DIRECTORS

October 4, 2018 Janice Sepulveda

Secretary

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## QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE ANCHOR SPECIAL MEETING

The following are some of the questions that you, as a shareholder of Anchor, may have and answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this document, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this document. We urge you to read this document in its entirety prior to making any decision as to your Anchor common stock and the merger agreement.

### Q1: Why do Anchor and FS Bancorp want to merge?

We want to merge because we each believe the merger will benefit our community, customers, employees and shareholders. We each have long been committed to serving the various communities that comprise our local A1. customer bases. In addition, for Anchor, the merger will allow its customers access to a number of products and services that cannot be offered to them now on a cost-effective basis, and will expand the number of branch locations available to them.

### Q2: What will Anchor shareholders receive in the merger?

Each outstanding share of Anchor common stock (except for dissenting shares and cancelled shares (as defined in the merger agreement)) will be converted into the right to receive, promptly following completion of the merger, 0.2921 of a share of FS Bancorp common stock and \$12.40 in cash (which are referred to as the "merger considerations"). FS Bancorp will not issue any fractional shares of FS Bancorp common stock in the merger. A2: Anchor shareholders who would otherwise be entitled to a fractional share of FS Bancorp common stock upon completion of the merger will instead receive an amount in cash (rounded to the nearest cent) equal to the fractional share interest multiplied by the average of the daily volume weighted closing price (rounded to the nearest one ten thousandth) of FS Bancorp common stock on Nasdaq Stock Market, Inc. ("Nasdaq") for the five trading days ending on the trading day immediately preceding the closing date of the merger (which we refer to as the "FS Bancorp average closing price").

The following table sets forth the per share value of the merger consideration that Anchor shareholders would receive in the merger as calculated based on the last reported sales price per share of FS Bancorp common stock as of (i) July 17, 2018, the last trading day preceding public announcement of the signing of the merger agreement, and (ii) September 21, 2018, the last practicable date prior to the mailing of this proxy statement/prospectus, in each case applying the exchange ratio on such date:

Date	FS Bancorp closing price	Exchange ratio	Cash payment per share	Value of merger consideration per Anchor share <sup>1</sup>
July 17, 2018	\$61.80	0.2921	\$12.40	\$30.45
September 21, 2018	\$54.53	0.2921	\$12.40	\$28.33

<sup>1</sup> Calculated as the product of the exchange ratio multiplied by the FS Bancorp closing price, plus \$12.40 cash per Anchor share.

### Q3: What is being voted on at the special meeting?

Anchor shareholders will be voting on the approval of the merger agreement, as well as any proposal of the A3: Anchor board of directors to adjourn or postpone the Anchor special meeting, if necessary or appropriate to solicit additional proxies in favor of the merger agreement (which we refer to as the "adjournment proposal").

### Q4: Who is entitled to vote at the Anchor special meeting?

Anchor shareholders of record at the close of business on September 17, 2018, the record date for the Anchor A4: special meeting, are entitled to receive notice of and to vote on matters that come before the special meeting and any adjournments or postponements of the special meeting. However, an Anchor shareholder may only vote his or her shares if he or she is present in person or is represented by proxy at the Anchor special meeting.

Q5: How do I vote?

After carefully reading and considering the information contained in this document, please fill out, sign and date the proxy card, and then mail your signed proxy card in the enclosed envelope as soon as possible so that your shares may be voted at the special meeting. You may also vote by telephone or through the internet. Anchor

A5: shareholders may also attend the Anchor special meeting and vote in person. Even if you are planning to attend the special meeting, we request that you vote by telephone or internet or you fill out, sign and return your proxy card. For more detailed information, please see the section entitled "The Special Meeting of Anchor Shareholders" beginning on page 24 .

Q6: How many votes do I have?

Each share of Anchor common stock that you own as of the record date entitles you to one vote. As of the close of business on September 17 , 2018, there were 2,484,030 outstanding shares of Anchor common stock. As of that

A6: date, 5.6 % of the outstanding shares of Anchor common stock was held by directors and executive officers of Anchor and their respective affiliates.

Q7: What constitutes a quorum at the Anchor special meeting?

The presence of the holders of a majority of the shares entitled to vote at the Anchor special meeting constitutes a quorum. Presence may be in person or by proxy. You will be considered part of the quorum if you vote by

A7: telephone, if you vote by internet, if you return a signed and dated proxy card, or if you vote in person at the special meeting.

Q8: Why is my vote important?

If you do not vote by proxy or in person at the special meeting, it will be more difficult for Anchor to obtain the necessary quorum to hold its special meeting. In addition, if you fail to vote, by proxy or in person, it will have the same effect as a vote against approval of the merger agreement. The merger agreement must be approved by the holders of a majority of the outstanding shares of Anchor common stock entitled to vote at the Anchor special meeting. If you are the record holder of your shares (meaning a stock certificate has been issued in your name

A8: and/or your name appears on Anchor's stock ledger) and you respond but do not indicate how you want to vote, your proxy will be counted as a vote in favor of approval of the merger agreement, as well as a vote in favor of approval of the adjournment proposal. If your shares are held in street name with a broker, your broker will vote your shares on the merger agreement proposal only if you provide instructions to it on how to vote. Shares that are not voted because you do not properly instruct your broker will have the effect of votes against approval of the merger agreement.

If you respond and abstain from voting, your abstention will have the same effect as a vote against approval of the merger agreement but will have no effect on the adjournment proposal.

Q9: What is the recommendation of the Anchor board of directors?

A9: The Anchor board of directors unanimously recommends a vote "FOR" approval of the merger agreement and "FOR" approval of the adjournment proposal.

Q10: What if I return my proxy but do not mark it to show how I am voting?

If your proxy card is signed and returned without specifying your choice, your shares will be voted in favor of

A10: approval of both the merger agreement and adjournment proposal in accordance with the recommendation of the Anchor board of directors.

Q11: Can I change my vote after I have mailed my signed proxy card?

A11: Yes. If you are a holder of record of Anchor common stock, you may revoke your proxy at any time before it is voted by:

- signing and returning a proxy card with a later date,
- delivering a written revocation to Anchor's corporate secretary,

- attending the Anchor special meeting in person and voting by ballot at the special meeting, or
- voting by telephone or the internet at a later time but prior to the Anchor special meeting.

Attendance at the Anchor special meeting by itself will not automatically revoke your proxy. A revocation or later-dated proxy received by Anchor after the vote is taken at the Anchor special meeting will not affect your previously submitted proxy. Anchor's corporate secretary's mailing address is: Corporate Secretary, Anchor Bancorp, 601 Woodland Square Loop SE, Lacey, Washington 98503. If your shares are held in "street name" through a bank or broker, you should contact your bank or broker to change your voting instructions.

Q12: What regulatory approvals are required to complete the merger?

A12: Promptly following the merger, Anchor's subsidiary bank, Anchor Bank, will be merged with and into FS Bancorp's subsidiary bank, 1st Security Bank of Washington, which we often refer to in this document as the "bank merger." In order to complete the merger, FS Bancorp and Anchor must first obtain all regulatory approvals, consents and orders required in connection with the merger and the bank merger. Accordingly, the parties must obtain the approval of or waiver by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), the approval of the Federal Deposit Insurance Corporation (the "FDIC") and the approval of the Washington State Department of Financial Institutions (the "DFI"). Applications were filed with the FDIC and DFI on or about July 27, 2018. Approval from the DFI was received on September 6, 2018. A waiver request was submitted to the Federal Reserve Board on or about August 16, 2018 and the waiver was granted on August 29, 2018.

Q13: Do I have dissenters' or appraisal rights with respect to the merger?

A13: Yes. Under Washington law, you have the right to dissent from the merger. To exercise dissenters' rights of appraisal you must strictly follow the procedures prescribed by the Washington Business Corporation Act, or the WBCA. To review these procedures in more detail, see the section entitled "Dissenters' Rights" beginning on page 54, and Appendix C of this proxy statement/prospectus.

Q14: What are the material U.S. federal income tax consequences of the merger to me?

A14: The merger is expected to qualify for U.S. federal income tax purposes as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to throughout this proxy statement/prospectus as the Code. An Anchor shareholder generally will recognize gain, but not loss, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess, if any, of the sum of the cash received (other than cash received in lieu of a fractional share) and the fair market value of the FS Bancorp common stock received pursuant to the merger over that holder's adjusted tax basis in its shares of Anchor common stock surrendered) and (2) the amount of cash received (other than cash received in lieu of a fractional share) pursuant to the merger. In addition, Anchor shareholders will recognize gain or loss with respect to the receipt of cash in lieu of fractional shares.

For further information concerning U.S. federal income tax consequences of the merger, see the section entitled "Material United States Federal Income Tax Consequences of the Merger" beginning on page 83.

Q15: What risks should I consider before I vote on the merger?

A15: We encourage you to read carefully the detailed information about the merger contained in this document, including the section entitled "Risk Factors" beginning on page 14.

Q16: When do you expect to complete the merger?

A16: We are working to complete the merger in the quarter ending December 31, 2018. We must first obtain the necessary regulatory approvals and the approval of Anchor's shareholders at the special meeting. In the event of delays, the date for completing the merger can occur as late as June 30, 2019, after which Anchor and FS Bancorp would need to mutually agree to extend the closing date of the merger. We cannot assure you as to if and when all the conditions to the merger will be met nor can we predict the exact timing. It is possible we will not complete the merger.

Q17: What happens if the merger is not completed?

A17: If the merger is not completed, holders of Anchor common stock will not receive any consideration for their shares in connection with the merger. Instead, Anchor will remain an independent public company and its common stock will continue to be listed and traded on Nasdaq. In addition, if the merger agreement is terminated in certain circumstances, a termination fee may be required to be paid by Anchor. See "The Merger Agreement – Termination of the Merger Agreement" beginning on page 66 for a complete discussion of the circumstances under which a termination fee will be required to be paid.

Q18: If I am a holder of Anchor common stock in certificated form, should I send in my Anchor stock certificates now?

A18: No. Please do not send in your Anchor stock certificates with your proxy. After completion of the merger, the exchange agent will send you instructions for exchanging Anchor stock certificates for the merger consideration. See "The Merger Agreement – Exchange Procedures."

Q19: What should I do if I hold my shares of Anchor common stock in book-entry form with Anchor's transfer agent or in street name with my broker?

A19: You are not required to take any special additional actions at the closing of the merger if your shares of Anchor common stock are held in book-entry form. After the completion of the merger, the Anchor shares held in book-entry form automatically will be exchanged for the merger consideration. See "The Merger Agreement – Exchange Procedures."

Q20: Whom should I contact with questions or to obtain additional copies of this document?

A20:

Anchor Bancorp  
601 Woodland Square Loop SE  
Lacey, Washington 98503  
Attn: Investor Relations  
(360) 491-2250

## SUMMARY

This summary highlights selected information about the merger but may not contain all of the information that may be important to you. You should carefully read this entire document and the other documents to which this document refers for a more complete understanding of the matters being considered at the special meeting. See the section entitled "Where You Can Find More Information" beginning on page 157. Unless we have stated otherwise, all references in this document to FS Bancorp are to FS Bancorp, Inc., all references to Anchor are to Anchor Bancorp, and all references to the merger agreement are to the Agreement and Plan of Merger, dated as of July 17, 2018, between FS Bancorp and Anchor, a copy of which is attached as Appendix A to this document. In this document, we often refer to the "combined company," which means, following the merger, FS Bancorp and its subsidiaries, including Anchor's subsidiaries. References to "we," "us" and "our" in this document mean FS Bancorp and Anchor together.

The companies

FS Bancorp, Inc.  
6920 220th Street SW  
Mountlake Terrace, Washington 98043  
Attn: Investor Relations  
(425) 771-5299

FS Bancorp is a bank holding company incorporated under the laws of the State of Washington and the parent company of 1st Security Bank of Washington, a state-chartered, FDIC insured savings bank that currently operates 12 branch offices, one administrative office that accepts deposits and seven loan production offices in Washington. FS Bancorp is subject to regulation by the Federal Reserve Board. FS Bancorp had total consolidated assets of approximately \$1.1 billion, total deposits of approximately \$870.1 million and total consolidated stockholders' equity of approximately \$129.4 million at June 30, 2018. FS Bancorp's principal executive offices are located at 6920 220<sup>th</sup> Street SW, Mountlake Terrace, Washington 98043 and its telephone number is (425) 771-5299. FS Bancorp common stock trades on Nasdaq under the symbol of "FSBW."

Anchor Bancorp  
601 Woodland Square Loop SE  
Lacey, Washington 98503  
Attn: Investor Relations  
(360) 491-2250

Anchor is a bank holding company for Anchor Bank. Anchor's business activities generally are limited to passive investment activities and oversight of its investment in Anchor Bank. As a bank holding company, Anchor is subject to regulation by the Federal Reserve Board. Anchor Bank is examined and regulated by the DFI and by the Federal Deposit Insurance Corporation ("FDIC"). Anchor Bank is required to have certain reserves set by the Federal Reserve and is a member of the Federal Home Loan Bank of Des Moines ("FHLB" or "FHLB of Des Moines"), which is one of the 11 regional banks in the Federal Home Loan Bank System ("FHLB System"). Anchor Bank is a community-based savings bank primarily serving Western Washington through its nine full-service banking offices located within Grays Harbor, Thurston, Lewis and Pierce counties, and one loan production office located in King County, Washington. Anchor Bank is in the business of attracting deposits from the public and utilizing those deposits to originate loans. Anchor had total consolidated assets of approximately \$469.7 million, total deposits of approximately \$359.0 million and total consolidated stockholders' equity of approximately \$67.4 million at June 30, 2018. Anchor's principal executive offices are located at 601 Woodland Square Loop SE Lacey, Washington 98503, and its telephone number is (360) 491-2250. Anchor common stock trades on Nasdaq under the symbol "ANCB." For additional information about Anchor see "Information about Anchor."

The merger (Page 29)



We propose a merger in which Anchor will merge with and into FS Bancorp and a follow-up merger in which Anchor Bank will merge with and into 1st Security Bank of Washington. As a result of the mergers, Anchor will cease to exist as a separate corporation and Anchor Bank will cease to exist as a separate financial institution. In the merger, Anchor will merge with and into FS Bancorp, with FS Bancorp as the surviving corporation. Immediately following the merger, Anchor's wholly

owned subsidiary savings bank, Anchor Bank, will merge with and into FS Bancorp's wholly owned subsidiary bank, 1st Security Bank of Washington.

Based on the number of shares of FS Bancorp common stock and Anchor common stock outstanding as of September 17, 2018, Anchor shareholders will collectively own up to approximately 5.6 % of the outstanding shares of FS Bancorp common stock after the merger. See the section entitled "The Merger – Consideration to be Received in the Merger."

We expect the merger of Anchor and FS Bancorp to be completed during the quarter ending December 31, 2018, although the merger could be delayed to as late as June 30, 2019, after which Anchor and FS Bancorp would need to mutually agree to extend the closing date of the merger.

Approval of the merger agreement requires the affirmative vote, in person or by proxy, of a majority of the outstanding shares of Anchor common stock. No vote of FS Bancorp shareholders is required (or will be sought) in connection with the merger.

The merger agreement (Page 58)

The merger agreement is described beginning on page 58. The merger agreement also is attached as Appendix A to this document. We urge you to read the merger agreement in its entirety because it contains important provisions governing the terms and conditions of the merger.

Consideration to be received in the merger (Page 58)

In the merger, Anchor shareholders will have the right, with respect to each of their Anchor common shares, to receive, as described below, an amount of FS Bancorp common shares equal to the exchange ratio, which is 0.2921 and \$12.40 in cash. The value of the stock portion of the consideration to be received by Anchor shareholders in the merger will vary with the trading price of FS Bancorp common shares between now and the completion of the merger. See "The Merger Agreement – Consideration to be Received in the Merger."

Anchor shareholders will own approximately 16.4% of the outstanding shares of FS Bancorp common stock after the merger (Page 58)

Based on the number of shares of FS Bancorp common stock and Anchor common stock outstanding as of September 17, 2018, and the closing price of FS Bancorp common stock on such date, Anchor shareholders will collectively own up to approximately 16.4 % of the outstanding shares of FS Bancorp common stock after the merger. See the section entitled "The Merger – Consideration to be Received in the Merger."

Recommendation of the Anchor board of directors and reasons of Anchor for the merger (Page 38)

The Anchor board of directors believes the merger is in the best interests of Anchor and the Anchor shareholders. The Anchor board of directors unanimously recommends that Anchor shareholders vote "FOR" the approval of the merger agreement. For the factors considered by the Anchor board of directors in reaching its decision to approve the merger agreement and making its recommendation, see "The Merger – Recommendation of the Anchor Board of Directors and Reasons of Anchor for the Merger."

Opinion of Anchor's financial advisor (Page 41)

In connection with the merger, Anchor's financial advisor, Keefe, Bruyette & Woods, Inc. or KBW, delivered a written opinion, dated July 17, 2018, to the Anchor board of directors as to the fairness, from a financial point of view as of such date, to the holders of Anchor common stock of the merger consideration to be received by them in the merger. The full text of the opinion, which describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW in preparing the opinion, is attached as Appendix B to this proxy statement/prospectus. The opinion was for the information of, and was directed to, the Anchor board of directors (in its capacity as such) in connection with its consideration of the financial terms of the merger. The opinion did not address the underlying business decision of Anchor to engage in the merger or enter into the merger agreement or constitute a

recommendation to the Anchor board of directors in connection with the merger, and it does not constitute a recommendation to any holder of Anchor common stock or any shareholder of any other person as to how to vote in connection with the merger or any other matter.

Stock price information (Page 22)

FS Bancorp common stock is listed on Nasdaq under the symbol "FSBW." Anchor common stock is listed on Nasdaq under the symbol "ANCB."

The following table sets forth (a) the last reported sale prices per share of FS Bancorp common stock common stock on (i) July 17, 2018, the last trading day preceding public announcement of the signing of the merger agreement and (ii) September 21, 2018, the last practicable date prior to the mailing of this proxy statement/prospectus and (b) the equivalent price per Anchor share, determined by multiplying the exchange ratio of 0.2921 by such prices and then adding the cash consideration of \$12.40 per share.

Date	FS Bancorp closing price:	Exchange ratio:	Cash payment per share	Value of merger consideration per Anchor share <sup>1</sup>
July 17, 2018	\$61.80	0.2921	\$12.40	\$30.45
September 21, 2018	\$54.53	0.2921	12.40	\$28.33

Anchor's directors and executive officers have interests in the merger that differ from, or are in addition to, your interests in the merger (Page 54)

You should be aware that some of the directors and executive officers of Anchor have interests in the merger that are different from, or are in addition to, the interests of Anchor shareholders. These interests may create potential conflicts of interest. Anchor's board of directors was aware of and considered these interests, among other matters, when making its decisions to approve the merger agreement and in recommending that Anchor shareholders vote in favor of approving the merger agreement. These include the following:

- two executive officers will be entitled to receive change in control severance benefits under their employment agreements upon completion of the merger;
- other executive officers may be entitled to receive severance benefits under the Anchor Bank severance plan if their employment is terminated under certain circumstances within one year after completion of the merger;
- executive officers will become fully vested in their outstanding restricted shares upon completion of the merger;
- executive officers will receive a lump sum payment of the total value of their benefits under the Anchor Bank phantom stock plan within 60 days after completion of the merger;
- executive officers will receive enhanced benefits under the Anchor employee stock ownership plan by virtue of the allocation of suspense shares to their accounts upon completion of the merger and their accounts in the plan will become 100% vested immediately prior to the completion of the merger;
- directors and executive officers will receive indemnification from FS Bancorp for their past acts and omissions in their capacities as directors and officers as well as continuing insurance coverage with respect thereto for a period of six years after completion of the merger, to the fullest extent permitted under Anchor's organizational documents and to the fullest extent otherwise permitted by law;
- each director has entered into a voting agreement in favor of FS Bancorp agreeing to vote his or her shares of Anchor common stock for approval of the merger agreement and approval of the adjournment proposal; and

Terri L. Degner, Anchor's Chief Financial Officer and a director, has entered into a consulting agreement with 1st Security Bank of Washington for the provision of transition services at \$130 per hour for a period of up to three years following the completion of the merger, which consulting agreement may be terminated by either party at any time for any reason or no reason. Ms. Degner will be an independent contractor and will not be entitled to any pension, profit-sharing, insurance, or other employee or "fringe benefits" from FS Bancorp or 1st Security Bank.

For a more complete description of these interest interests, see "The Merger – Interests of Certain Persons in the Merger" on page 54 .

Material United States federal income tax considerations of the merger (Page 83)

The merger is expected to qualify for U.S. federal income tax purposes as a "reorganization" within the meaning of Section 368(a) of the Code. As a result, an Anchor shareholder generally will recognize gain, but not loss, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess, if any, of the sum of the cash received (other than cash received in lieu of a fractional FS Bancorp common share) and the fair market value of the FS Bancorp common stock received pursuant to the merger over that holder's adjusted tax basis in its shares of Anchor common stock surrendered) and (2) the amount of cash received (other than cash received in lieu of a fractional FS Bancorp common share) pursuant to the merger. In addition, Anchor shareholders will recognize gain or loss with respect of the receipt of cash in lieu of fractional FS Bancorp common shares.

For further information concerning U.S. federal income tax consequences of the merger, please see "Material United States Federal Income Tax Consequences of the Merger" beginning on page 83 .

Tax matters are very complicated and the consequences of the merger to any particular Anchor shareholder will depend on that shareholder's particular facts and circumstances. Anchor shareholders are urged to consult their own tax advisors to determine their own tax consequences from the merger.

Following the merger, you will be entitled to receive dividends that FS Bancorp pays on its common stock, if any. (Page 22).

After the merger, you will receive dividends, if any, that FS Bancorp pays on its common stock. During 2017, FS Bancorp paid a quarterly dividend of \$0.10 per share on February 22, 2017, and \$0.11 per share on May 25, 2017, August 24, 2017, and November 22, 2017. During 2018, FS Bancorp paid a dividend of \$0.11 per share on February 21, 2018, and a dividend of \$0.14 per share on May 14, 2018, and August 23, 2018.

Accounting treatment (Page 54)

The merger will be accounted for as an acquisition of Anchor by FS Bancorp under the acquisition method of accounting in accordance with U.S. generally accepted accounting principles.

In order to complete the merger, we must first obtain certain regulatory approvals (Page 53)

In order to complete the merger, FS Bancorp and Anchor must first obtain all regulatory approvals, consents or waivers required in connection with the merger and the bank merger. Accordingly, the parties must obtain the approval of or waiver by the Federal Reserve Board, the approval of the FDIC and the approval of the DFI. The U.S. Department of Justice may review the impact of the merger and the bank merger on competition. Applications with the FDIC and the DFI were filed on or about July 27, 2018. Approval from the DFI was received on September 6, 2018. A waiver request was submitted to the Federal Reserve Board on or about August 16, 2018 and the waiver was granted on August 29, 2018.

There can be no assurance as to whether all regulatory approvals will be obtained or as to the dates of the approvals. There also can be no assurance that the regulatory approvals received will not contain a condition or requirement that results in a failure to satisfy the conditions to closing set forth in the merger agreement. See the section entitled "The Merger Agreement – Conditions to Completion of the Merger" on page 65 .

Anchor shareholders have dissenters' rights (Page 54)

Anchor shareholders have the right under Washington law to dissent from the merger, obtain an appraisal of the fair value of their Anchor common stock, and receive cash equal to the appraised fair value of their Anchor common stock (without giving effect to the merger) instead of receiving the merger consideration. To exercise dissenters' rights, among other things, an Anchor shareholder must (i) provide notice to Anchor that complies with the requirements of Washington law prior to the vote of its shareholders on the transaction of the shareholder's intent to demand payment for the shareholder's shares, and (ii) not vote in favor of the merger agreement. Submitting a properly signed proxy card that is received prior to the vote at the special meeting (and is not properly revoked) that does not direct how the shares of Anchor common stock represented by proxy are to be voted will constitute a vote in favor of the merger agreement and a waiver of such shareholder's statutory dissenters' rights.

If you dissent from the merger agreement and the conditions outlined above are met, then your shares of Anchor will not be exchanged for the merger consideration in the merger, and your only right will be to receive the fair value of your common stock as determined by mutual agreement between you and FS Bancorp or by appraisal if you are unable to agree. The appraised value may be more or less than the consideration you would receive under the terms of the merger agreement and will be based upon the value of shares of Anchor common stock without giving effect to the merger. If you exercise dissenters' rights, any cash you receive for your Anchor shares that results in a gain or loss will be immediately recognizable for federal income tax purposes. You should be aware that submitting a signed proxy card without indicating a vote with respect to the merger will be deemed a vote "FOR" the merger agreement and a waiver of your dissenters' rights. A vote "AGAINST" the merger agreement does not dispense with the other requirements to exercise dissenters' rights under Washington law.

A shareholder electing to dissent from the merger agreement must strictly comply with all procedures required under Washington law. These procedures are described more fully beginning on page 154 of this proxy statement/prospectus, and a copy of the relevant Washington statutory provisions regarding dissenters' rights is included as Appendix C to this proxy statement/prospectus.

Additional conditions to consummation of the merger (Page 65)

In addition to the regulatory approvals, the consummation of the merger depends on a number of conditions being met, including, among others:

- approval of the merger agreement by the holders of a majority of all outstanding shares of Anchor's common stock;
- authorization of the shares of FS Bancorp common stock to be issued in the merger for listing on Nasdaq;
- the effectiveness of a registration statement on Form S-4 with the SEC in connection with the issuance of FS Bancorp common stock in the merger;
- absence of any order, injunction, decree or law preventing or making illegal completion of the merger or the bank merger;
- receipt by each party of an opinion from such party's tax counsel that the merger will qualify as a tax-free reorganization for U.S. federal income tax purposes;
- accuracy of the representations and warranties of Anchor and FS Bancorp, subject to the standards set forth in the closing conditions of the merger agreement;
- performance in all material respects by Anchor and FS Bancorp of all obligations required to be performed by either of them under the merger agreement; and
- dissenting shares shall be less than 10% of the issued and outstanding shares of Anchor common stock.

Where the law permits, either FS Bancorp or Anchor could elect to waive a condition to its obligation to complete the merger although that condition has not been satisfied. We cannot be certain when (or if) the conditions to the merger will be satisfied or waived or that the merger will be completed.

In addition, after Anchor's shareholders have approved the merger agreement, we may not amend the merger agreement to reduce the amount or change the form of consideration to be received by the Anchor shareholders in the merger without the approval of Anchor shareholders as required by law.

We may decide not to complete the merger (Page 66)

Anchor and FS Bancorp, by mutual consent, can agree at any time not to complete the merger, even if the shareholders of Anchor have voted to approve the merger agreement. Also, either party can decide, without the consent of the other, not to complete the merger in a number of other situations, including:

- if any governmental entity that must grant a required regulatory approval of the merger or the bank merger has denied such approval and such denial has become final and nonappealable, unless the denial is due to the failure of the party seeking to terminate the merger agreement to perform or observe the covenants and agreements of that party set forth in the merger agreement;

- if any governmental entity of competent jurisdiction has issued a final nonappealable order, injunction or decree enjoining or otherwise prohibiting or making illegal the consummation of the merger or the bank merger;

- failure to complete the merger by June 30, 2019, unless the failure of the closing to occur by that date is due to the failure of the party seeking to terminate the merger agreement to perform or observe the covenants or agreements of that party;

- if the other party has breached any of its covenants, agreements, representations or warranties contained in the merger agreement based on the closing condition standards set forth in the merger agreement, and the party seeking to

- terminate is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement, and the breach is not cured within twenty (20) days following written notice to the party

- committing the breach, or which breach, by its nature, cannot be cured within such twenty (20) day period; and

- if the approval of the shareholders of Anchor contemplated by the merger agreement is not obtained by reason of the failure to obtain the vote required at the Anchor special meeting, except this right may not be exercised by Anchor if

- Anchor or its board of directors has committed an act that would entitle FS Bancorp to terminate the merger agreement and receive the termination fee specified in the merger agreement.

FS Bancorp, without the consent of Anchor, can terminate:

- if the board of directors of Anchor fails to recommend to its shareholders the approval of the merger agreement, or adversely changes, or publicly announces its intention to adversely change its recommendation, or Anchor breaches

- its obligation to call or hold the Anchor special meeting or materially breaches the merger agreement provisions outlined in the "Merger Agreement – Agreement Not to Solicit Other Offers" on page 62 .

Anchor, without the consent of FS Bancorp, can terminate:

- prior to obtaining shareholder approval in order to enter into an agreement relating to a superior proposal; provided,

- however, that Anchor has not materially breached the merger agreement provisions outlined in "The Merger Agreement – Agreement Not to Solicit Other Offers" on page 62 .

Under some circumstances, Anchor will be required to pay a termination fee to FS Bancorp if the merger agreement is terminated (Page 67)

Anchor must pay FS Bancorp a termination fee of \$2,702,000 if:

FS Bancorp terminates the merger agreement as a result of: (i) the Anchor board of directors failing to recommend the approval of the merger or adversely changing or publicly announcing its intention to adversely change its recommendation and the Anchor shareholders failing to approve the merger agreement; (ii) Anchor breaching its nonsolicitation or related obligations as provided in the merger agreement; or (iii) Anchor refuses to call or hold the special meeting for a reason other than that the merger agreement has been previously terminated;

Anchor terminates the merger agreement prior to obtaining shareholder approval in order to enter into an agreement relating to a superior proposal; provided, however, that Anchor has not materially breached its nonsolicitation and related obligations as provided in the merger agreement; and

if the merger agreement is terminated by either party as a result of the failure of Anchor's shareholders to approve the merger agreement and if, prior to such termination, there is publicly announced a proposal for a tender or exchange offer, for a merger or consolidation or other business combination involving Anchor or Anchor Bank or for the acquisition of a majority of the voting power in, or a majority of the fair market value of the business, assets or deposits of, Anchor or Anchor Bank and, within one year of the termination, Anchor or Anchor Bank either enters into a definitive agreement with respect to that type of transaction or consummates that type of transaction.

Comparison of shareholder rights (Page 154)

Upon completion of the merger, Anchor shareholders will become shareholders of FS Bancorp, and their rights will be governed by FS Bancorp's restated articles of incorporation and amended and restated bylaws. There are no material differences between the articles of incorporation and restated bylaws of FS Bancorp and the articles of incorporation and restated bylaws of Anchor.

The special meeting (Page 24)

#### Meeting Information and Vote Requirements

The special meeting of Anchor's shareholders will be held on Tuesday, November 13, 2018, at 10:00 a.m., local time, at the Lacey Community Center, located at 6729 Pacific Avenue SE, Lacey, Washington, 98503 unless adjourned or postponed. At the special meeting, Anchor's shareholders will be asked to:

- approve the merger agreement; and

- approve the adjournment proposal.

Shareholders will also be asked to act on any other business that may be properly submitted to a vote at the special meeting or any adjournments or postponements of the special meeting.

You may vote at the special meeting if you owned Anchor common stock as of the close of business on September 17, 2018. You may cast one vote for each share of Anchor common stock you owned at that time. Approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Anchor common stock. If you mark "ABSTAIN" on your proxy, or fail to submit a proxy and fail to vote in person at the Anchor special meeting or if your shares are held in street name and you fail to instruct your bank or broker how to vote with respect to the merger agreement, it will have the same effect as a vote "AGAINST" the merger agreement. Approval of the adjournment proposal requires the affirmative vote of a majority of the votes cast at the special meeting. If you mark "ABSTAIN" on your proxy, or fail to submit a proxy and fail to vote in person at the Anchor special meeting or if your shares are in street name and you fail to instruct your bank or broker how to vote with respect to the adjournment proposal, it will have no effect on such proposal.

## RISK FACTORS

By voting in favor of the merger agreement, you will be choosing to invest in the common stock of FS Bancorp as combined with Anchor. An investment in the combined company's common stock contains a high degree of risk. In addition to the other information included in this proxy statement/prospectus, including the matters addressed in the section entitled "Cautionary Statement Regarding Forward-Looking Statements" on page 17, you should carefully consider the matters described below in determining whether to vote in favor of approval of the merger agreement.

### Risks Related to the Merger

Because the market price of FS Bancorp common stock will fluctuate, Anchor shareholders cannot be sure of the value of the merger consideration they will receive.

Upon completion of the merger, each Anchor common share will be converted into the right to receive merger consideration consisting of a number of FS Bancorp common shares and cash pursuant to the terms of the merger agreement. The number of FS Bancorp common shares to be received by an Anchor shareholder will be determined based on a fixed exchange ratio of 0.2921 of a FS Bancorp common share for each Anchor common share.

Accordingly, the value of the stock portion of the merger consideration to be received by the Anchor shareholders will be based on the value of the FS Bancorp common shares. The value of the FS Bancorp common shares to be received by Anchor shareholders in the merger may vary from the value as of the date we announced the merger, the date that this document was mailed to Anchor shareholders, the date of the Anchor special meeting, and the closing date of the merger. Any change in the market price of FS Bancorp common shares prior to completion of the merger will affect the value of the stock portion of the merger consideration that Anchor shareholders will receive upon completion of the merger. Accordingly, at the time of the Anchor special meeting, Anchor shareholders will not know or be able to calculate the value of the stock portion of the merger consideration they would receive upon completion of the merger. Share price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations, among other things. Many of these factors are beyond the control of FS Bancorp and Anchor. Anchor shareholders should obtain current market quotations for FS Bancorp common shares before voting their shares at the Anchor special meeting.

Anchor's shareholders will have less influence as shareholders of FS Bancorp than as shareholders of Anchor.

Anchor's shareholders currently have the right to vote in the election of the board of directors of Anchor and on other matters affecting Anchor. Following the merger, the shareholders of Anchor as a group will hold an ownership interest of approximately 16.4 % of FS Bancorp. When the merger occurs, each Anchor shareholder will become a shareholder of FS Bancorp with a percentage ownership of the combined company much smaller than such shareholder's percentage ownership of Anchor. Because of this, Anchor's shareholders will have less influence on the management and policies of FS Bancorp than they now have on the management and policies of Anchor.

If FS Bancorp is unable to integrate the combined operations successfully, its business and earnings may be negatively affected.

The merger involves the integration of companies that have previously operated independently. Successful integration of Anchor's operations will depend primarily on FS Bancorp's ability to consolidate operations, systems and procedures and to eliminate redundancies and costs. No assurance can be given that FS Bancorp will be able to integrate its post-merger operations without encountering difficulties including, without limitation, the loss of key employees and customers, the disruption of its respective ongoing businesses or possible inconsistencies in standards, controls, procedures and policies. Anticipated economic benefits of the merger are projected to come from various areas that FS Bancorp's management has identified through the due diligence and integration planning process. The elimination and consolidation of duplicate tasks are projected to result in annual cost savings. If FS Bancorp has difficulties with the integration, it might not fully achieve the economic benefits it expects to result from the merger. In addition, FS Bancorp may experience greater than expected costs or difficulties relating to the integration of the business of Anchor, and/or may not realize expected cost savings from the merger within the expected time frame.



The fairness opinion of Anchor's financial advisor received by Anchor's board of directors prior to signing of the merger agreement does not reflect changes in circumstances since the signing of the merger agreement.

Changes in the operations and prospects of FS Bancorp or Anchor or general market and economic conditions, and other factors that may be beyond the control of FS Bancorp and Anchor, may alter the value of FS Bancorp or Anchor or the prices of shares of FS Bancorp common stock or Anchor common stock by the time the merger is completed.

The opinion of Anchor's financial advisor, dated July 17, 2018, does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. For a description of the opinion of Anchor's financial advisor, please refer to "The Merger – Opinion of Anchor's Financial Advisor." For a description of the other factors considered by the board of directors of Anchor in determining to approve the merger, please refer to "The Merger – Recommendation of the Anchor Board of Directors and Reasons of Anchor for the Merger."

The merger agreement limits Anchor's ability to pursue alternatives to the merger.

The merger agreement contains non-solicitation provisions that, subject to limited exceptions, limit Anchor's ability to discuss, facilitate or commit to competing third-party proposals to acquire all or a significant part of Anchor. Although Anchor's board of directors is permitted to take certain actions in connection with the receipt of a competing acquisition proposal if it determines in good faith that the failure to do so would violate its fiduciary duties, taking such actions could, and other actions (such as withdrawing or modifying its recommendation to Anchor shareholders that they vote in favor of approval of the merger agreement) would, entitle FS Bancorp to terminate the merger agreement and receive a termination fee of \$2,702,000. See the section entitled "The Merger Agreement – Termination of the Merger Agreement" on page 66 . These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Anchor from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share price than that proposed in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire Anchor than it might otherwise have proposed to pay. The payment of the termination fee by Anchor could also have an adverse impact on Anchor's financial condition.

Anchor will be subject to business uncertainties and contractual restrictions while the merger is pending.

FS Bancorp and Anchor have operated and, until the completion of the merger, will continue to operate, independently. Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Anchor and consequently on FS Bancorp. These uncertainties may impair Anchor's ability to attract, retain or motivate key personnel until the merger is consummated, and could cause customers and others that deal with Anchor to seek to change existing business relationships with Anchor. Retention of certain employees may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles with FS Bancorp. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with FS Bancorp, FS Bancorp's business following the merger could be harmed. In addition, the merger agreement restricts Anchor from making certain acquisitions and taking other specified actions until the merger occurs without the consent of FS Bancorp. These restrictions may prevent Anchor from pursuing attractive business opportunities that may arise prior to the completion of the merger. See "The Merger Agreement – Conduct of Businesses Pending the Merger."

Anchor's directors and executive officers have additional interests in the merger.

In deciding how to vote on the approval of the merger agreement, you should be aware that Anchor's directors and executive officers might have interests in the merger that are different from, or in addition to, the interests of Anchor shareholders generally. See the section entitled "The Merger – Interests of Certain Persons in the Merger." Anchor's board of directors was aware of these interests and considered them when it recommended approval of the merger agreement to the Anchor shareholders.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on FS Bancorp following the merger.

Before the merger and the bank merger may be completed, FS Bancorp and Anchor must obtain approvals from the FDIC and DFI and a waiver from the Federal Reserve Board. Other approvals, waivers or consents from regulators may also be required. An adverse development in either party's regulatory standing or other factors could result in an inability to obtain



approvals or delay their receipt. These regulators may impose conditions on the completion of the merger or the bank merger or require changes to the terms of the merger or the bank merger. While FS Bancorp and Anchor do not currently expect that any such conditions or changes will be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of FS Bancorp following the merger, any of which might have an adverse effect on FS Bancorp following the merger. FS Bancorp is not obligated to complete the merger if the regulatory approvals received in connection with the merger or bank merger impose any unduly burdensome condition upon FS Bancorp or 1st Security Bank of Washington. See "The Merger – Regulatory Approvals Required for the Merger" and "the Merger Agreement – Conditions to Completion of the Merger."

The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may cause the price of FS Bancorp common shares or Anchor common shares to decline.

The merger is subject to customary conditions to closing, including the receipt of required regulatory approvals and approval of Anchor's shareholders. If any condition to the merger agreement is not satisfied or waived, to the extent permitted by law, the merger will not be completed. In addition, FS Bancorp and Anchor may terminate the merger agreement under certain circumstances, even if Anchor's shareholders approve the merger agreement. If FS Bancorp and Anchor do not complete the merger, the trading prices of FS Bancorp common shares or Anchor common shares may decline. In addition, neither company would realize any of the expected benefits of having completed the merger. If the merger is not completed and Anchor's board of directors seeks another merger or business combination, Anchor shareholders cannot be certain that Anchor will be able to find a party willing to offer equivalent or more attractive consideration than the consideration FS Bancorp has agreed to provide. If the merger is not completed, additional risks could materialize, which could materially and adversely affect the business, financial condition and results of FS Bancorp and Anchor, including the recognition of the expenses relating to the merger without realizing the economic benefits of the merger. For more information on closing conditions to the merger agreement, see "The Merger Agreement – Conditions to Completion of the Merger" included elsewhere in this proxy statement/prospectus.

#### Risks Relating to Anchor and Anchor's Business

Anchor is, and will continue to be, subject to the risks described in Anchor's Annual Report on Form 10-K for the fiscal year ended June 30, 2018, as amended and as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the SEC.

#### Risks Relating to FS Bancorp and FS Bancorp's Business

FS Bancorp is, and will continue to be, subject to the risks described in FS Bancorp's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the SEC and incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" included elsewhere in this proxy statement/prospectus.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document, including information included or incorporated by reference in this document, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and FS Bancorp and Anchor intend for such forward-looking statements to be covered by the safe harbor provisions for forward looking statements contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, (i) statements about the benefits of the merger, including future financial and operating results, cost savings, enhancements to revenue and accretion to reported earnings that may be realized from the merger; (ii) statements about our respective plans, objectives, expectations and intentions and other statements that are not historical facts; (iii) statements about expectations regarding the timing of the closing of the merger and the ability to obtain regulatory approvals on a timely basis; and (iv) other statements identified by words such as "expects," "projects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "possible," "potential," "strategy," or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of FS Bancorp's and Anchor's respective management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and beyond FS Bancorp's and Anchor's 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 expressed in the forward-looking statements:

- our ability to successfully integrate any assets, liabilities, customers, systems, and personnel;
- the required regulatory approvals for the merger and bank merger and/or the approval of the merger agreement by the shareholders of Anchor might not be obtained or other conditions to the completion of the merger set forth in the merger agreement might not be satisfied or waived;
- the growth opportunities and cost savings from the merger may not be fully realized or may take longer to realize than expected;
- operating costs, customer losses and business disruption following the merger, including adverse effects on relationships with employees, may be greater than expected;
- adverse governmental or regulatory policies may be enacted;
- the interest rate environment may change, causing margins to compress and adversely affecting net interest income;
- the global financial markets may experience increased volatility;
- we may experience adverse changes in our credit rating;
- we may experience competition from other financial services companies in our markets; and
- an economic slowdown may adversely affect credit quality and loan originations.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed under "Risk Factors" beginning on page 14 and in FS Bancorp's reports filed with the SEC. For any forward-looking statements made in this proxy statement/prospectus or in any documents incorporated by reference into this proxy statement/prospectus, FS Bancorp and Anchor claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this proxy statement/prospectus or the date of the applicable document incorporated by reference in this proxy statement/prospectus. FS Bancorp and Anchor do not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to FS Bancorp, Anchor or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this proxy statement/prospectus.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION OF FS BANCORP

FS Bancorp is providing the following information to aid you in your analysis of the financial aspects of the merger. FS Bancorp derived the information as of and for the five years ended December 31, 2013 through December 31, 2017 from its historical audited consolidated financial statements for these fiscal years. The audited consolidated financial information contained herein is the same historical information that FS Bancorp has presented in its prior filings with the SEC. The historical consolidated financial data for the six months ended June 30, 2018 and 2017 is derived from unaudited consolidated financial statements. However, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation at such dates and for such periods have been made.

The operating results for the six months ended June 30, 2018 and 2017 are not necessarily indicative of the operating results that may be expected for any future interim period or the year ending December 31, 2018. This information is only a summary, and you should read it in conjunction with FS Bancorp's consolidated financial statements and notes thereto contained in FS Bancorp's 2017 Annual Report on Form 10-K, which has been incorporated by reference into this document. See the section entitled "Where You Can Find More Information" on page 157 .

	At or For the Six Months Ended June 30, (unaudited)		At or For the Year Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
(Dollars in thousands, except per share data)							
<b>Balance Sheet</b>							
<b>Summary:</b>							
Total assets	\$1,132,542	\$928,582	\$981,783	\$827,926	\$677,561	\$509,754	\$419,187
Loans receivable, net	881,200	709,102	761,558	593,317	502,535	387,174	281,081
Mortgage-backed securities	49,063	42,751	39,734	45,195	22,835	20,244	27,454
Investment securities	49,402	36,181	42,746	36,680	32,382	28,500	28,785
Cash and cash equivalents	21,977	17,802	18,915	36,456	24,455	15,555	38,459
Customer accounts	870,113	785,697	829,842	712,593	485,178	420,444	336,876
FHLB advances	106,526	30,669	7,529	12,670	98,769	17,034	16,664
Stockholders' equity	129,371	88,824	122,002	81,033	75,340	65,836	62,313
Book value per share using common shares outstanding	\$35.94	\$30.40	\$34.47	\$28.32	\$25.18	\$22.48	\$20.55
Average equity to average assets	11.84	% 9.52	% 10.30	% 9.49	% 11.94	% 13.92	% 15.78
Non-performing assets to total assets	0.06	0.08	0.11	0.09	0.15	0.08	0.77
<b>Income Statement</b>							
<b>Summary:</b>							
Interest income	\$27,010	\$21,170	\$46,181	\$38,020	\$31,707	\$24,842	\$21,733
Interest expense	3,588	2,229	4,933	4,163	3,658	2,702	2,178
	23,422	18,941	41,248	33,857	28,049	22,140	19,555

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Net interest income													
Provision for loan losses	800	--	750	2,400	2,250	1,800	2,170						
Other income	10,638	12,377	24,074	23,569	17,593	10,033	8,915						
Other expense	23,179	21,321	43,993	38,923	29,643	23,902	20,361						
Income before income taxes	10,081	9,997	20,579	16,103	13,749	6,471	5,939						
Income taxes	1,502	3,045	6,494	5,604	4,873	1,931	2,019						
Net income	\$8,579	\$6,952	\$14,085	\$10,499	\$8,876	\$4,540	\$3,920						
Per Share Data:													
Basic earnings	\$2.40	\$2.40	\$4.55	\$3.63	\$2.98	\$1.52	\$1.29						
Diluted earnings	2.28	2.25	4.28	3.51	2.93	1.52	1.29						
Cash dividends	0.25	0.21	0.43	0.37	0.27	0.23	0.15						
Return on average stockholders' equity	13.92	% 16.91	% 14.80	% 13.84	% 12.73	% 7.19	% 6.43	%					
Return on average assets	1.65	% 1.61	% 1.53	% 1.31	% 1.52	% 1.00	% 1.01	%					
Efficiency ratio	68.05	% 68.08	% 67.35	% 67.78	% 64.95	% 74.29	% 71.52	%					
Average Shares Outstanding													
Basic	3,573,560	2,891,116	3,094,586	2,896,209	2,978,165	2,979,099	3,032,757						
Diluted	3,762,079	3,084,392	3,291,700	2,990,159	3,032,517	2,986,064	3,032,757						

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF ANCHOR

The following selected financial data with respect to Anchor's balance sheets and its income statements for the fiscal years ended June 30, 2014 through June 30, 2018 have been derived from its historical audited financial statements for those fiscal years. The audited consolidated financial information contained herein is the same historical information that Anchor has presented in its prior filings with the SEC.

At or For the Year Ended  
June 30,  
~~2018~~ 2017 2016 2015 2014

Balance Sheet Summary: