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As used in this prospectus supplement, the terms “we,” “our,” “us,” “Company” and “FS Bancorp” refer to FS Bancorp, Inc. and 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made in the accompanying prospectus, the statements made in the accompanying prospectus are deemed modified or superseded by the statements made in this prospectus supplement.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

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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 _____ shares of the Company’s common stock, \$0.01 par value per share (or _____ shares if the underwriters exercise 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 _____ shares from us within 30 days of the date of this prospectus supplement in order to cover over-allotments, if any.

Common Stock to be Outstanding after This Offering

_____ shares (or _____ shares if the underwriters exercise their option to purchase additional shares in full) (1).

Public Offering Price

\$ _____ per share of common stock.

Use of Proceeds

We expect to receive net proceeds from this offering of approximately \$ _____ million (or approximately \$ _____ 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 _____ shares of our common stock issued and outstanding as of _____, 2017. Unless otherwise noted, these references exclude:

- _____ 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 _____, 2017, at a weighted average exercise price of \$ _____ per share (of which option acquire _____ shares of our common stock were vested as of _____, 2017); and
- _____ 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 to 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 _____ shares of our common stock).

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