FRB Order No. 2026-20
August 4, 2026

FEDERAL RESERVE SYSTEM

FS Bancorp, Inc.
Mountlake Terrace, Washington

Order Approving the Merger of Bank Holding Companies

FS Bancorp, Inc. ("FS Bancorp"), Mountlake Terrace, Washington, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"),[1] has requested the Board's approval under section 3 of the BHC Act[2] to merge Pacific West Bancorp ("Pacific West"), a bank holding company, with and into FS Bancorp, and thereby indirectly acquire Pacific West's subsidiary state nonmember bank, Pacific West Bank, both of West Linn, Oregon. Following the proposed transaction, Pacific West Bank would be merged with and into FS Bancorp's subsidiary state nonmember savings bank, 1st Security Bank of Washington ("1st Security Bank"), Mountlake Terrace, Washington, with 1st Security Bank as the surviving entity.[3]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (91 *Federal Register* 25882 (May 12, 2026)), in accordance with the Board's Rules of Procedure.[4] The time for submitting comments has expired, and the Board received two adverse comments on the proposal. The Board has considered the proposal and the comments received in light of the factors set forth in section 3 of the BHC Act.

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[1] 12 U.S.C. § 1841 *et seq*.

[2] 12 U.S.C. § 1842.

[3] The merger of Pacific West Bank with and into 1st Security Bank is subject to the approval of the Federal Deposit Insurance Corporation ("FDIC") under section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c). The FDIC approved the bank merger application on July 9, 2026.

[4] 12 CFR 262.3(i).

FS Bancorp, with consolidated assets of approximately $3.2 billion, is the 369th largest insured depository organization in the United States.[5] FS Bancorp controls approximately $2.7 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.[6] FS Bancorp controls 1st Security Bank, which operates in Oregon and Washington. FS Bancorp is the 26th largest insured depository institution in Oregon, controlling deposits of approximately $295.3 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.[7] FS Bancorp is the 13th largest insured depository institution in Washington, controlling deposits of approximately $2.3 billion, which represent 1.1 percent of the total deposits of insured depository institutions in that state.

Pacific West, with consolidated assets of approximately $386.1 million, is the 2,031st largest insured depository organization in the United States. Pacific West controls approximately $359.9 million in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Pacific West controls Pacific West Bank, which operates in Oregon and Washington. Pacific West Bank is the 25th largest insured depository institution in Oregon, controlling deposits of approximately $304.3 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state. Pacific West Bank is the 57th largest insured depository institution in Washington, controlling deposits of approximately $14.5 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

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[5] Consolidated asset and national ranking data are as of March 31, 2026, unless otherwise noted.

[6] Consolidated national deposit and market share data are as of March 31, 2026. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

[7] State deposit and market share data are as of June 30, 2025.

On consummation of this proposal, FS Bancorp would become the 338th largest insured depository organization in the United States, with consolidated assets of approximately $3.6 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. FS Bancorp would control total consolidated deposits of approximately $3.0 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. 1st Security Bank would become the 18th largest insured depository institution in Oregon, controlling deposits of approximately $599.6 million, which would represent less than 1 percent of the total deposits of insured depository institutions in that state. 1st Security Bank would become the 13th largest insured depository institution in Washington, controlling deposits of approximately $2.3 billion, which would represent 1.1 percent of the total deposits of insured depository institutions in that state.

Interstate Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.[8] The Board may not approve under this provision an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years.[9] When determining whether to approve an application under this provision, the Board must take into account the record of the applicant's depository institution under the Community Reinvestment Act of 1977 ("CRA")[10] and the applicant's record of compliance with applicable state community

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[8] 12 U.S.C. § 1842(d)(1)(A).

[9] 12 U.S.C. § 1842(d)(1)(B).

[10] 12 U.S.C. § 2901 *et seq.*

reinvestment laws.[11] In addition, the Board may not approve an interstate application under this provision if the bank holding company controls or, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations.[12]

For purposes of this provision, the home state of FS Bancorp is Washington.[13] The home state of Pacific West Bank is Oregon, and the bank is located in Oregon and Washington. FS Bancorp is well capitalized and well managed under applicable law. 1st Security Bank has a "Satisfactory" rating under the CRA.[14] Pacific West Bank has been in existence for more than five years.

On consummation of the proposed transaction, FS Bancorp would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. FS Bancorp and Pacific West have overlapping banking operations in Oregon and Washington. Washington imposes a 30 percent limit on the

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[11] 12 U.S.C. § 1842(d)(3).

[12] 12 U.S.C. § 1842(d)(2)(A) and (B). For purposes of section 3(d) of the BHC Act, the acquiring and target organizations have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. The Board considers a bank to be located in the states in which the bank is chartered, is headquartered, or operates a branch. *See* 12 U.S.C. § 1841(o)(4)–(7).

[13] 12 U.S.C. § 1841(o)(4). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

[14] Washington has a state community investment law that applies to this proposal. *See* Wash. Rev. Code Ann. § 30A.60.010. 1st Security Bank operates in compliance with Washington State community reinvestment laws. Oregon, the other jurisdiction in which 1st Security Bank operates, does not have a state community reinvestment law that applies to this proposal.

total amount of in-state deposits that a single banking organization may control.[15] The combined organization would control approximately 1.1 percent of the total amount of consolidated deposits in insured depository institutions in Washington. Accordingly, in light of all the facts of record, the Board is not precluded from approving the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.[16] The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.[17]

1st Security Bank and Pacific West Bank do not compete directly in any banking market. The U.S. Department of Justice ("DOJ") conducted a review of the potential competitive effects of the proposal and has advised the Board that it did not conclude that the proposal would have a significantly adverse effect on competition. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

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[15] *See* Wash. Rev. Code Ann. § 30A.49.125(6). Oregon does not impose any limit on the total amount of in-state deposits that a single banking organization may control.

[16] 12 U.S.C. § 1842(c)(1)(A).

[17] 12 U.S.C. § 1842(c)(1)(B).

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.[18] In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as any public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete the proposed integration of the operations of the institutions effectively. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

FS Bancorp, Pacific West, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so upon consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a share or cash exchange.[19] The capital, asset quality, earnings, and liquidity of FS Bancorp and 1st Security Bank are consistent with approval, and FS

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[18] 12 U.S.C. § 1842(c)(2), (5), and (6).

[19] To effect the transaction, each share of Pacific West common stock would be converted into a right to receive either a fraction of a share of FS Bancorp common stock based on an exchange ratio or cash. FS Bancorp has the financial resources to effect the proposed transaction.

Bancorp and 1st Security Bank appear to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, the future prospects of the institutions are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records and other supervisory information concerning the institutions, including assessments of the institutions' management, risk-management systems, and operations. In addition, the Board has considered information provided by FS Bancorp; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and the public comments on the proposal.

FS Bancorp and 1st Security Bank are each considered to be well managed. The combined organization's proposed directors and senior executive officers have knowledge of and experience in the banking and financial services sectors, and FS Bancorp's risk-management program appears consistent with approval.

The Board also has considered FS Bancorp's plans for implementing the proposal. FS Bancorp has conducted comprehensive due diligence and is devoting sufficient financial and other resources to address all aspects of the post-acquisition integration process for this proposal. In addition, FS Bancorp's management has the experience and resources to operate the resulting organization in a safe and sound manner. FS Bancorp plans to integrate Pacific West's personnel in a manner that augments FS Bancorp's management. FS Bancorp plans to apply its risk-management policies, procedures, and controls at the combined organization following the transaction.

Based on all the facts of record, including FS Bancorp's and 1st Security Bank's supervisory records, managerial and operational resources, and plans for operating the combined organization after consummation, the Board determines that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the records of effectiveness of the institutions in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.[20] In evaluating whether the proposal satisfies the convenience and needs statutory factor, the Board considers the impact that the proposal will or is likely to have on the communities served by the combined organization. The Board reviews a variety of information to determine whether the relevant institutions' records demonstrate a history of helping to meet the needs of their customers and communities. The Board also reviews the combined institution's post-consummation plans and the expected impact of those plans on the communities served by the combined institution, including on low- and moderate-income ("LMI") individuals and communities. The Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve and are providing access to banking products and services that meet the needs of customers and communities, including the potential impact of branch closures, consolidations, and relocations on that access. In addition, the Board reviews the records of the relevant depository institutions under the CRA. The Board strongly encourages insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation and their obligations under the CRA.[21]

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, gender, or certain other characteristics. The Board also considers assessments of other relevant

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[20] 12 U.S.C. § 1842(c)(2). Where applicable, the Board also considers any timely substantive comments on the proposal and, in its discretion, may consider any untimely substantive comments on the proposal.

[21] *See* 12 U.S.C. § 2901(b).

supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and public comments on the proposal. The Board also may consider the acquiring institution's business model and intended marketing and outreach, the combined organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of 1st Security Bank and Pacific West Bank, the fair lending and compliance records of both banks, the supervisory views of the FDIC, confidential supervisory information, information provided by FS Bancorp, and the public comments received on the proposal.

Public Comments on the Proposal

The Board received two adverse comments on the proposal from the same commenter. The comments objected to the proposal, alleging that 1st Security Bank made fewer loans to African American individuals as compared to white individuals in Washington in 2024 and 2025.[22]

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[22] The commenter stated that 1st Security Bank made 929 loans to and denied 59 loan applications of white individuals and made 19 loans to and denied one loan application of African American individuals in 2024. The commenter also stated that this disparity significantly increased in 2025, when 1st Security Bank made 1,059 mortgage loans to and denied 63 loan applications of white individuals and made 14 mortgage loans to and denied 5 loan applications of African American individuals. The data cited by the commenter correspond to publicly available 2024 and 2025 data reported by 1st Security Bank under the Home Mortgage Disclosure Act of 1975 ("HMDA"). 12 U.S.C. § 2801 *et seq*.

Additionally, the commenter alleged there are consumer complaints, without providing specific details. Complaints based on individual customer transactions and wholly unsubstantiated claims generally are not considered to be substantive comments and, thus, generally are not considered by the Board in its evaluation of the statutory factors governing the transaction. *See* 12 CFR 225.16(c)(3); SR Letter 97-10 (Apr. 24, 1997), https://www.federalreserve.gov/boarddocs/srletters/1997/sr9710.htm.

Businesses of the Involved Institutions

Through 1st Security Bank, FS Bancorp engages in consumer banking and commercial banking. FS Bancorp's offerings of deposit products include checking, savings, and money market accounts, certificates of deposit, and individual retirement and health savings accounts. Lending products offered by FS Bancorp include real estate loans, consumer loans, and commercial and industrial loans. Through Pacific West Bank, Pacific West offers consumer banking and commercial banking services. Pacific West's products include checking, savings, and money market deposit accounts, certificates of deposit, and individual retirement accounts, as well as loan products, including commercial loans and commercial real estate loans.

Records of Performance under the CRA

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution's most recent CRA evaluation and the supervisory views of relevant federal supervisors, which in this case is the FDIC with respect to both 1st Security Bank and Pacific West Bank.[23] In addition, the Board considers information provided by the applicant and any public commenters.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.[24] An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to

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[23] *See* Interagency Questions and Answers Regarding Community Reinvestment, 81 *Federal Register* 48506, 48548 (July 25, 2016).

[24] 12 U.S.C. § 2906.

evaluate the performance of large banks, such as 1st Security Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under HMDA, in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;[25] (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.[26] The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs. The Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community

[25] Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of $1 million or less; small business and small farm loans by loan amount at origination; and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. *See, e.g.*, 12 CFR 228.22(b)(3) (2023).

[26] *See* 12 CFR 228.22(b) (2023).

development services.[27] Small institutions, such as Pacific West Bank, are subject only to a streamlined Lending Test.[28]

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions may not be available from public HMDA data.[29] Consequently, the Board considers additional information not available to the public that may be needed from the institution and evaluates disparities in the context of the additional information obtained regarding the lending and compliance record of an institution.

CRA Performance of 1st Security Bank

1st Security Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of April 3, 2023 ("1st Security Bank Evaluation").[30] The bank received an "Outstanding" rating for the Investment Test, and "Low Satisfactory" ratings for each of the Lending Test and Service Test.[31]

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[27] *See* 12 CFR 228.23 and 228.24 (2023).

[28] *See* 12 CFR 228.26(a)(1) and (b) (2023); *see also* 70 *Federal Register* 44256 (August 2, 2005).

[29] Importantly, credit scores are not available in the public HMDA data. Accordingly, when conducting fair lending examinations, examiners analyze additional information not available to the public before reaching a determination regarding an institution's compliance with fair lending laws.

[30] The 1st Security Bank Evaluation was conducted using the Interagency Large Bank CRA Examination Procedures. Examiners reviewed the bank's reported home mortgage and small business loan data, as well as community development loans, investments, and donations, during 2020, 2021, and 2022.

[31] The 1st Security Bank Evaluation involved a full-scope review of the bank's activities in the Seattle Combined Statistical Area ("Seattle CSA") AA. The 1st Security Bank Evaluation also included a full-scope review of the bank's activities in a Non-Metropolitan Statistical Area ("MSA") in Washington ("Washington Non-MSA").

With respect to the Lending Test, examiners found that a high percentage of 1st Security Bank's loans were made in the bank's AAs. Examiners considered 1st Security Bank's performance under the Lending test in the Seattle CSA and Washington Non-MSA, which cover areas of interest to the commenter. In the Seattle CSA and the Washington Non-MSA AAs, examiners found that lending levels reflected adequate responsiveness to AA credit needs, that the geographic distribution of loans reflected adequate penetration throughout the AAs, and that the distribution of borrowers reflected adequate or good penetration among businesses and borrowers of different sizes. Examiners also found that the bank made an adequate level of community development loans in both of those AAs.

With respect to the Investment Test, examiners found that 1st Security Bank had an excellent level of qualified community development investments and grants, often in a leadership position. Examiners found that 1st Security Bank exhibited good responsiveness to credit and community development needs and that the bank occasionally used innovative or complex investments to support community development initiatives. Further, examiners found the bank made an excellent and significant level of qualified community development investments and grants in the Seattle CSA and Washington Non-MSA, respectively.

With respect to the Service Test, examiners determined that 1st Security Bank's delivery systems were reasonably accessible to essentially all portions of the bank's AAs. Examiners found that in both the Seattle CSA and Washington Non-MSA, 1st Security Bank's delivery systems were reasonably accessible to essentially all

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Examiners also conducted a limited-scope review of the Kennewick MSA. Due to examination timing, examiners did not evaluate the bank's lending or community development performance in Oregon, but did include some of the bank's activities in that state for the Service Test. 1st Security Bank's performance under the Lending, Investment, and Service Tests was based on the ratings in each of 1st Security Bank's AAs, with 1st Security Bank's performance in the Seattle CSA AA—which contained a significant majority of the bank's loans, deposits, and branch locations—carrying the greatest weight.

portions of the AAs. Examiners noted that the bank's opening and closing of branches generally had not adversely affected the accessibility of its delivery systems and that the bank's services did not vary in a way that inconveniences portions of the AAs, particularly LMI geographies or individuals. Examiners also found that the bank provided an adequate level of community development services to the Seattle CSA AA and a relatively high level of community development services to the Washington Non-MSA AA.

1st Security Bank's Efforts since the 1st Security Bank Evaluation

FS Bancorp represents that, since the 1st Security Bank Evaluation, 1st Security Bank has continued to maintain its CRA program, offering affordable mortgage products, small business loans through Small Business Administration programs, and deposit accounts with low or no fees for LMI customers. FS Bancorp further represents that 1st Security Bank has supported community development through investments in local housing authorities and nonprofit partnerships and originated $53.8 million in community development loans in 2025.

CRA Performance of Pacific West Bank

Pacific West Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of February 14, 2022 ("Pacific West Bank Evaluation").[32] Pacific West Bank received a "Satisfactory" rating for the Lending Test.[33]

With respect to the Lending Test, examiners found that Pacific West Bank's loan-to-deposit ratio was reasonable given the bank's size, financial condition, and AA credit needs. Examiners found that a majority of small business loans, by

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[32] The Pacific West Bank Evaluation was conducted using the Interagency Small Institution CRA Examination Procedures. Examiners reviewed small business loan data from 2021.

[33] The Pacific West Bank Evaluation involved a full-scope review of the bank's activities in the bank's sole AA, consisting of the Portland–Vancouver–Hillsboro, Oregon–Washington Multistate Metropolitan Statistical Area.

number and dollar volume, were made in the bank's AA. Examiners also noted that the distribution of borrowers reflected reasonable penetration among businesses of different sizes in the AA. Finally, examiners observed that the geographic distribution of loans reflected reasonable dispersion throughout the AA. Examiners observed that the bank did not receive any CRA-related complaints during the evaluation period.

Pacific West's Efforts since the Pacific West Bank Evaluation

FS Bancorp represents that, since the Pacific West Bank Evaluation, Pacific West Bank has continued to meet CRA objectives by making loans to small businesses and offering community development loans; providing and maintaining accessible banking services such as low-cost checking and savings accounts and offering online banking services; and providing community development services.

Additional Supervisory Views

In its review of the proposal, the Board consulted with and considered the views of the FDIC as the primary federal supervisor of 1st Security Bank and of Pacific West Bank. The Board also considered the results of the most recent consumer compliance examinations of 1st Security Bank and Pacific West Bank, which included reviews of the banks' compliance-management programs and their compliance with consumer protection laws and regulations, including fair lending.

The Board has taken this information, as well as the CRA performance records of 1st Security Bank and Pacific West Bank, into account in evaluating the proposal, including in considering whether FS Bancorp has the experience and resources to ensure that the combined organization would help meet the credit needs of the communities to be served following consummation of the proposed transaction.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. This includes, for example, the combined organization's business model and intended marketing and outreach and existing and anticipated product and service offerings in the communities to be served by the organization, any additional plans the combined organization has for meeting the needs of its communities following consummation, and any other information the Board deems relevant.

FS Bancorp asserts that the proposal will combine two complementary branch networks and enable FS Bancorp to expand its presence in the greater Portland, Oregon, area. As a result of the transaction, FS Bancorp expects that the resulting institution will better serve existing and prospective customers through access to expanded resources, without compromising either institution's commitment to customer service or the communities they serve. FS Bancorp represents that the resulting institution would provide Pacific West customers with the same or better options, service, and functionality than they enjoyed before the proposed transaction. FS Bancorp represents that it does not currently anticipate any significant changes in products or services as a result of the proposed transaction.

Branch Closures

Physical branches remain important to many banking organizations' ability to meet the credit needs of the local communities in which they operate. When banking organizations combine, whether through acquisitions, mergers, or consolidations, the combination has the potential to increase or to reduce consumers' and small businesses' access to available credit and other banking services. Although the Board does not have the authority to prohibit a bank from closing a branch, the Board focuses on the impact of expected branch closures, consolidations, and relocations that occur in connection with a proposal on the convenience and needs of the communities to be served by the resulting institution. In particular, the Board considers the effect of any closures, consolidations, or relocations on LMI communities.

Federal banking law provides a specific mechanism for addressing branch closings, including requiring that a bank provide notice to the public and the appropriate federal supervisory agency before a branch is closed.[34] In addition, the federal banking

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[34] *See* 12 U.S.C. § 1831r-1. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.[35]

FS Bancorp represents that it does not currently anticipate any branch closures or consolidations in connection with the proposed transaction.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, supervisory information, information provided by FS Bancorp, the public comments on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

Financial Stability Considerations

Section 3 of the BHC Act requires the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system."[36] To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the

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[35] *See, e.g.*, 12 CFR 228.24(d)(2) (2023).

[36] 12 U.S.C. § 1842(c)(7).

resulting firm.[37] These categories are not exhaustive, and additional categories could inform the Board's decision.

In addition to these quantitative measures, the Board considers qualitative factors, such as the opacity and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.[38]

The Board's experience has shown that proposals involving an acquisition of less than \$10 billion in total assets, or that result in a firm with less than \$100 billion in total assets, generally are not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.[39]

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target with less than \$10 billion in total assets and a pro forma organization with less than \$100 billion in total assets. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.[40] The pro forma organization would not

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[37] Many of the metrics considered by the Board measure an institution's activities relative to the United States financial system.

[38] For further discussion of the financial stability standard, see *Capital One Financial Corporation*, FRB Order No. 2012-2 (Feb. 14, 2012).

[39] *See People's United Financial, Inc.*, FRB Order No. 2017-08 at 25–26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

[40] FS Bancorp and Pacific West offer a range of retail and commercial banking products and services. FS Bancorp has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the proposal should be, and hereby is, approved.[41] In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by FS Bancorp with all the conditions imposed in

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[41] The commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal. 12 U.S.C. § 1842(b); *see also* 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, may hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and would be clarified by a public hearing. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for public hearings on the proposal is denied.

this order and on any commitments made to the Board in connection with the proposal. The Board's approval also is conditioned on receipt by FS Bancorp of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.[42]

The proposal may not be consummated before the fifteenth calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Federal Reserve Bank of San Francisco, acting under delegated authority.

By order of the Board of Governors,[43] effective August 4, 2026.

(Signed) Benjamin W. McDonough

Benjamin W. McDonough
Secretary of the Board

[42] *See* 12 U.S.C. § 1818(b)(1).

[43] Voting for this action: Chairman Warsh, Vice Chair Jefferson, Vice Chair for Supervision Bowman, and Governors Powell, Waller, Cook, and Barr.