



**FS INVESTMENT  
CORPORATION**  
A Business Development Company

# FS Investment Corporation

## INVESTOR PRESENTATION

**MARCH 17, 2016**



## Important Notice

This presentation may contain certain forward-looking statements, including statements with regard to the future performance of FS Investment Corporation (referred to herein as FSIC, the fund, we or us). Words such as “believes,” “expects,” “projects” and “future” or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements. Factors that could cause actual results to differ materially include changes in the economy, risks associated with possible disruption in FSIC’s operations or the economy due generally to terrorism or natural disasters, future changes in laws or regulations and conditions in FSIC’s operating area, and the price at which shares of common stock may trade on the New York Stock Exchange (NYSE). Some of these factors are enumerated in the filings FSIC makes with the U.S. Securities and Exchange Commission (SEC). Except as may be required by federal securities laws, FSIC undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation contains summaries of certain financial and statistical information about FSIC. The information contained in this presentation is summary information that is intended to be considered in the context of FSIC’s SEC filings and other public announcements that FSIC may make, by press release or otherwise, from time to time. The information related to FSIC’s investment portfolio reflected in this presentation (the “Portfolio”) is presented as of December 31, 2015, unless otherwise noted. The Portfolio may therefore change over time and the actual investments made by FSIC may differ substantially from the Portfolio represented in this presentation. Therefore, the parameters, industry concentration, interest rates and other Portfolio information presented herein could all be materially different than those of the current portfolio of FSIC. Information related to assets under management of GSO / Blackstone Debt Funds Management LLC reflected in presentation is also as of December 31, 2015, unless otherwise noted. In addition, all other financial figures and market price data presented herein is as of December 31, 2015, unless otherwise noted. Except as may be required by federal securities laws, FSIC undertakes no duty or obligation to update or revise the information contained in this presentation. Information related to past performance, while helpful as an evaluative tool, is not necessarily indicative of future results, the achievement of which cannot be assured. Investors should not view the past performance of FSIC, or information about the market, as indicative of FSIC’s future results.

This presentation contains certain financial measures that have not been prepared in accordance with U.S. generally accepted accounting principles (GAAP). FSIC uses these non-GAAP financial measures internally in analyzing financial results and believes that the use of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing FSIC’s financial results with other business development companies. Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with FSIC’s consolidated financial statements prepared in accordance with GAAP. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the Appendix included in this presentation, and investors are encouraged to review the reconciliation in the table and the related footnotes.



## Important Notice (continued)

Any comparisons herein of the investment performance of FSIC to a benchmark or an index are qualified as follows: (i) the volatility of such benchmark or index may be materially different from that of FSIC; (ii) such benchmark or index may employ different investment guidelines and criteria than FSIC and, therefore, holdings in FSIC may differ significantly from holdings of the securities that comprise such benchmark or index; and (iii) the performance of such benchmark or index may not necessarily have been selected to represent an appropriate benchmark or index to compare to the performance of FSIC, but rather, is disclosed to allow for comparison of FSIC's performance (or the performance of the assets held by FSIC) to that of a well-known benchmark or index. A summary of the investment guidelines for any such benchmark or index is available upon request. No representation is made as to the risk profile of any benchmark or index relative to the risk profile of FSIC. Benchmark and index performance results may not be subject to fees and expenses.

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Industry and market data used in this presentation have been obtained from industry publications and sources as well as from research reports prepared for other purposes. We have not independently verified the data obtained from these sources and cannot assure you of the data's accuracy or completeness.

Certain figures in this presentation have been rounded. Unless otherwise noted, per share data was derived using the weighted average shares of FSIC's common stock during the applicable period. Per share numbers may not sum due to rounding.

**An investment in FSIC involves a high degree of risk and may be considered speculative. Investors are advised to consider the investment objectives, risks, and charges and expenses of FSIC carefully before investing. Investors should read and carefully consider all information found in FSIC's reports filed with the SEC before investing. Investors may obtain copies of these filings free of charge at [www.franklinsquare.com](http://www.franklinsquare.com) or by contacting Franklin Square at 201 Rouse Boulevard, Philadelphia, PA 19112 or by phone at 877-372-9880.**



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# FS Investment Corporation



**FRANKLIN SQUARE**  
CAPITAL PARTNERS

- **SCALE**
- **SPECIALIZATION**
- **BDC EXPERTISE**



**FS INVESTMENT  
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- **DIFFERENTIATED**
- **MARKET LEADER**
- **TRACK RECORD**

**G S O**

**CAPITAL PARTNERS**  
*A Blackstone Company*

- **PLATFORM**
- **PEOPLE**
- **INVESTMENT EXPERTISE**



## FS Investment Corporation overview

### MARKET LEADING DIRECT LENDER

- 3<sup>rd</sup> largest externally managed business development company (BDC) by total assets<sup>1</sup>
- \$2.2 billion market capitalization<sup>1</sup>
- Focus on senior secured direct lending and opportunistic investments

### MANAGED BY FRANKLIN SQUARE CAPITAL PARTNERS AND GSO / BLACKSTONE

- Franklin Square Capital Partners: Largest manager of BDCs with approximately \$15.7 billion in BDC AUM<sup>2,3</sup>
- GSO: Credit platform of The Blackstone Group with \$79.1 billion in AUM<sup>4,5</sup> and unique access to proprietary investment opportunities
- GSO's credit platform and Franklin Square's scale deliver pricing power and other competitive advantages

### DISCIPLINED STRATEGY WITHIN ATTRACTIVE MIDDLE MARKET SECTOR

- Focus on long-term credit performance and principal protection
- Many traditional bank lenders exiting the middle market due to regulatory and capital pressures
- Able to offer value to borrowers including certainty of execution, financing customization, reputation and access to the Blackstone Group Purchasing Organization (GPO)

<sup>1</sup> As of December 31, 2015.

<sup>2</sup> Franklin Square Holdings, L.P. does business as Franklin Square Capital Partners (Franklin Square). FB Income Advisor, LLC (FB Advisor), an affiliate of Franklin Square, is the investment adviser to FSIC. Assets under management (AUM) include the assets of FSIC, FS Investment Corporation II (FSIC II), FS Investment Corporation III (FSIC III) and FS Energy and Power Fund (FSEP).

<sup>3</sup> As of September 30, 2015.

<sup>4</sup> GSO / Blackstone Debt Funds Management LLC (GSO / Blackstone), a subsidiary of GSO Capital Partners LP, is the investment sub-adviser to FSIC.

<sup>5</sup> Components unrelated to Franklin Square are as of December 31, 2015 while components related to Franklin Square are as of September 30, 2015.



## Reasons to own FSIC

- 1 Partnership with GSO / Blackstone
- 2 Differentiated BDC Model
- 3 High Quality Portfolio
- 4 Strong Liability Management
- 5 Manager / Shareholder Alignment
- 6 Track Record of Performance

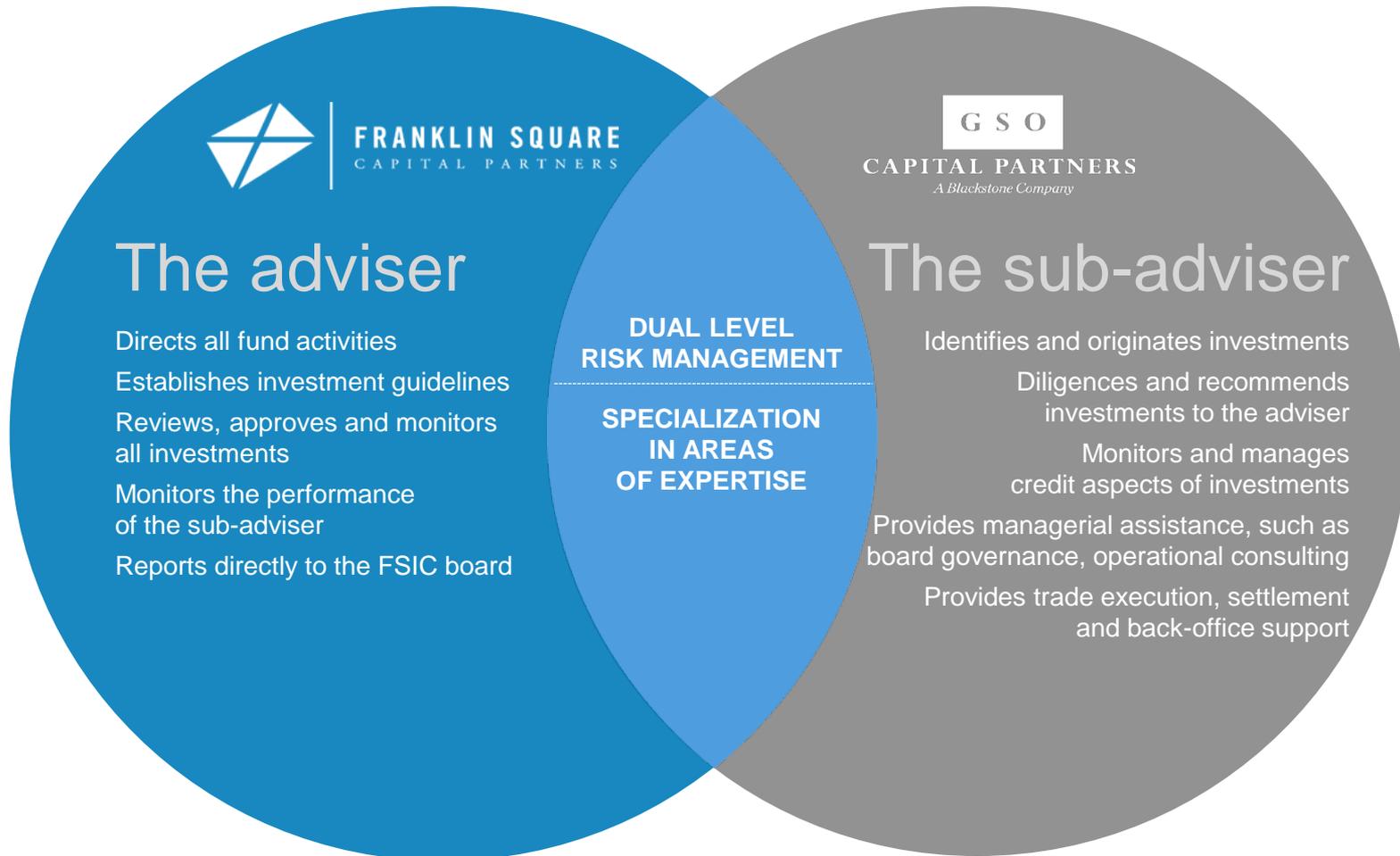


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## **PARTNERSHIP WITH GSO / BLACKSTONE**

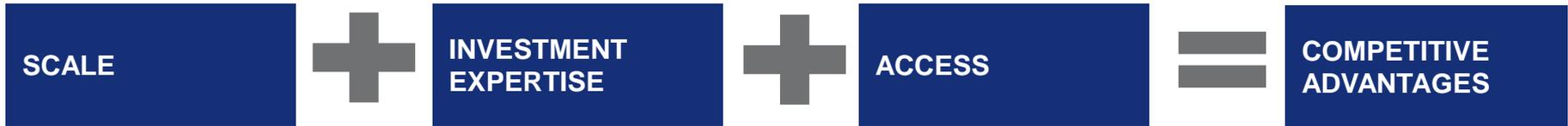


## Franklin Square and GSO: a proven partnership





## Partnership creates competitive advantages



### Largest manager of BDCs

**Scale** allows for one-stop financing solutions and low cost structure

**Exemptive relief** increases investment capacity and enables FSIC to participate in a less competitive part of the middle market

**Capital raising** through continuous offerings



### One of the world's largest alternative asset credit platforms

**Unique access** to proprietary direct originations and opportunities in the syndicated market

**Investments in ~940** issuers of corporate credits<sup>1,2</sup>

**\$28.6 billion** in directly originated transactions with over 150 different sponsors and business owners<sup>1</sup>



### Leader in alternative asset management

**Franchises** in credit, private equity, real estate and hedge fund solutions

**Brand, intellectual library and scale** provide exceptional access and insight

**Blackstone Group Purchasing Organization (GPO)** available to FSIC portfolio companies

<sup>1</sup> As of December 31, 2015.

<sup>2</sup> Including, but not limited to, broadly syndicated assets, middle market assets, high yield bonds, mezzanine transactions and CLO or other structured products.



# Franklin Square's fit within the GSO / Blackstone platform<sup>1</sup>



<sup>1</sup> AUM numbers have been rounded.

<sup>2</sup> As of December 31, 2015.

<sup>3</sup> Components unrelated to Franklin Square are as of December 31, 2015, while components related to Franklin Square are as of September 30, 2015.



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# DIFFERENTIATED BDC MODEL



## The changing competitive landscape

### SUPPLY FACTORS

- Many banks continue to exit market due to:
  - Basel III
  - Volcker Rule implementation
  - Regulatory oversight & Leveraged Lending Guidance
- Traditional managers driven to invest in liquid securities
- CLO risk retention rules

### DEMAND FACTORS

- Need for upcoming maturities to be refinanced — particularly vintages financed under previous regulatory landscape
- Private equity dry powder
- Domestic economic growth
- Desire to raise capital from a single lender or small group of lenders

**SUPPLY AND DEMAND TECHNICALS CREATE AN OPPORTUNITY FOR BDCs**



## FSIC: differentiated capital

### SCALE

### INVESTMENT EXPERTISE

### ACCESS

- Speed of execution
- Customized financing solutions
- Relationships
- Reputation

- Reliability
- Ability to grow with portfolio companies
- Lower operating expenses

- Less competition
- Blackstone GPO program
- One-stop financing
- Pricing power

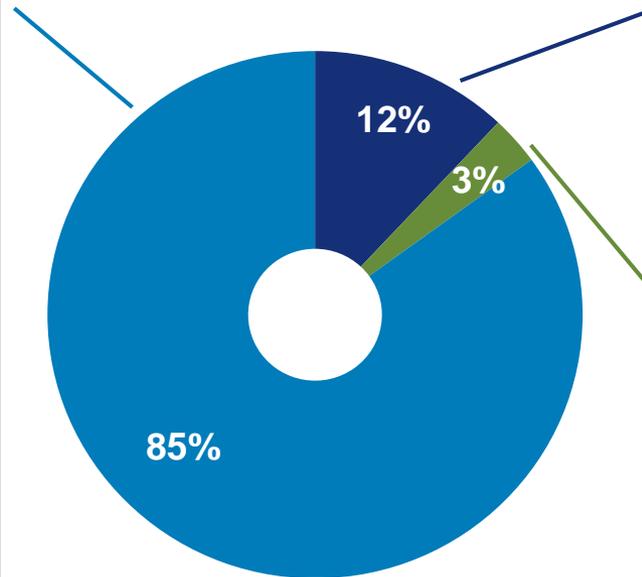
**DIFFERENTIATED CAPITAL – NOT A COMMODITY**



## FSIC's origination strategy<sup>1</sup>

### DIRECT ORIGINATIONS

- Fair value: \$3.4 billion (85% of investments)
- Number of Portfolio Companies: 71
- Average Annual EBITDA: \$61.5 million
- Average Leverage Through Tranche: 4.9x<sup>2</sup>
- Yield on Income-Producing Assets: 10.4%<sup>3</sup>
- \$5.9 billion of capital deployed in direct originations since inception across 96 portfolio companies (across FS BDC platform, \$15.4 billion of capital deployed in direct originations since inception among 129 portfolio companies)



### OPPORTUNISTIC

- Fair value: \$489 million (12% of investments)
- Includes event-driven, anchor orders and CLOs
- Platform allows FSIC to take advantage of market dislocations
- Total return opportunity
- Yield on Income-Producing Assets: 10.5%<sup>3</sup>

### BROADLY SYNDICATED

- Fair value: \$106 million (3% of investments)
- Potential source of liquidity that may be used to fund future core investments
- Potential source of direct origination deal flow
- Yield on Income-Producing Assets: 9.9%<sup>3</sup>

<sup>1</sup> All values as of December 31, 2015, unless otherwise indicated.

<sup>2</sup> Excludes equity/other and collateralized securities.

<sup>3</sup> Gross yield prior to leverage and based on amortized cost.



## Blackstone GPO program creates value by improving credits

**17.5% average savings on addressed spend for companies in GPO program increasing EBITDA for companies by an average of 4.1%<sup>1</sup>**

- Program available to all direct originations in FSIC's portfolio
- 22 Franklin Square portfolio companies<sup>2</sup> have implemented at least one program; an additional 17 have projects underway<sup>1</sup>

COMPANY	IMPLEMENTATION START	ADDRESSED SPEND <sup>1, 3, 4</sup>	ANNUAL SAVINGS <sup>1, 3, 4</sup>	% SAVINGS ON ADDRESSED SPEND	APPROXIMATE % INCREASE IN EBITDA	ESTIMATED ENTERPRISE VALUE INCREASE <sup>1, 3, 4</sup>
Company 1	Q3 2012	15.8	4.7	29.7%	34.8%	35.2
Company 2	Q1 2013	6.8	2.0	29.4%	25.0%	12.6
Company 3	Q2 2013	1.5	0.7	46.0%	2.9%	5.9
Company 4	Q3 2013	43.5	4.9	11.3%	3.4%	31.9
Company 5	Q1 2014	1.4	0.2	10.9%	0.4%	1.2
Company 6	Q1 2014	0.7	0.1	14.0%	0.8%	1.1
Company 7	Q2 2014	1.2	0.2	13.7%	0.3%	1.3
Company 8	Q4 2014	18.7	3.1	16.6%	1.7%	18.9
Company 9	Q4 2014	0.4	0.1	20.5%	0.2%	0.8
Company 10	Q1 2015	9.1	2.2	24.2%	4.8%	22.2
Company 11	Q1 2015	1.4	0.2	17.5%	0.4%	1.4
Company 12	Q2 2015	3.2	0.6	19.0%	2.8%	4.7
Company 13	Q2 2015	1.0	0.2	16.0%	0.2%	1.0
Company 14	Q2 2015	4.7	0.3	7.1%	0.4%	3.7
Company 15	Q2 2015	4.2	0.1	1.4%	6.0%	0.6
Company 16	Q3 2015	7.0	0.9	12.6%	3.2%	5.9
Company 17	Q3 2015	0.2	0.0	22.6%	0.4%	0.4
Company 18	Q3 2015	2.2	0.3	12.3%	0.4%	2.0
Company 19	Q3 2015	1.6	0.3	20.6%	1.2%	2.7
Company 20	Q3 2015	0.5	0.1	13.8%	0.2%	0.5
Company 21	Q3 2015	0.4	0.1	17.6%	0.2%	0.4
Company 22	Q4 2015	0.2	0.0	9.1%	0.1%	0.1
<b>Total / Average</b>		<b>\$125.6</b>	<b>\$21.2</b>	<b>17.5%</b>	<b>4.1%</b>	<b>\$154.4</b>

1 As of February 12, 2016.

2 List includes portfolio companies of FSIC, FSIC II, FSIC III, FSEP and FSGCO. 17 of these portfolio companies are current portfolio companies of FSIC.

3 Dollar amounts in millions.

4 Spend analysis is an ongoing process; addressed spend and savings grow over time. There can be no assurance that additional portfolio companies will enroll in the GPO program or that any such companies will achieve savings as a result.



## Relationship with NewStar financial expands our market opportunity

### TRANSACTION OVERVIEW

#### Investment by Franklin Square BDCs:

##### **\$300 million unsecured notes**

- 8.25% fixed coupon
- 2% closing fee
- 10-year maturity
- 5-year call protection

#### Warrants

- Exercisable into 12 million NewStar common shares
- Strike price of \$12.62

#### FSIC allocation:

##### **\$75 million in unsecured notes**

##### **Warrants for 3 million shares**

#### Use of proceeds

- To expand NewStar's origination volume
- To support NewStar's ability to lead transactions in the lower middle market

### BENEFITS OF STRATEGIC RELATIONSHIP

- Increase co-lending opportunities
- Complementary capabilities in ABLs and equipment finance
- Increase financial sponsor coverage
- Expand FSIC's access to lower middle market
- Create additional exposure to non-core lending areas:
  - Senior secured cash flow lending
  - Commercial real estate
  - Asset backed loans
  - Equipment finance





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# HIGH QUALITY PORTFOLIO



# High quality, floating-rate, senior debt focused portfolio<sup>1</sup>

## INVESTMENT PORTFOLIO

**114**

**PORTFOLIO COMPANIES**

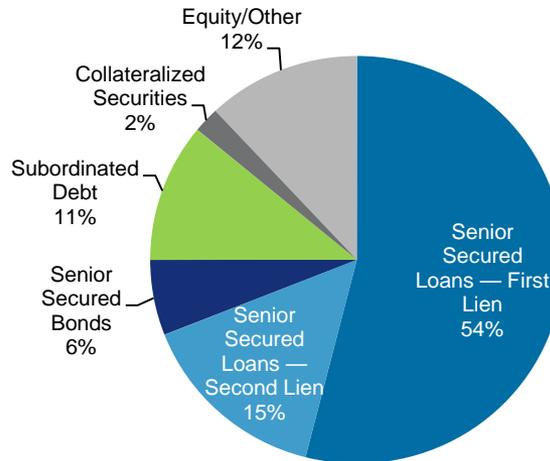
**10.4%**

**PORTFOLIO YIELD<sup>2</sup>**

**97%**

**OF PORTFOLIO ALLOCATED TO CORE INVESTMENT STRATEGIES<sup>3</sup>**

## PORTFOLIO BY ASSET CLASS



## HISTORY OF DOWNSIDE PROTECTION

**0.0%**

**OF INVESTMENTS ON NON-ACCRUAL<sup>4</sup>**

**75%**

**SENIOR SECURED<sup>3,5</sup>**

**67%**

**OF INVESTMENTS PAY FLOATING INTEREST RATES<sup>3</sup>**

**99%**

**OF PORTFOLIO IS INTERNALLY RATED AS A PERFORMING INVESTMENT<sup>3,6</sup>**

<sup>1</sup> All data as of December 31, 2015.

<sup>2</sup> Gross portfolio yield prior to leverage (based on amortized cost) – excluding non-income producing assets.

<sup>3</sup> Based on fair value.

<sup>4</sup> SandRidge Energy, Inc. senior secured bonds, which, as of December 31, 2015, represented 0.1% of our investment portfolio based on fair value, were on non-accrual as of March 1, 2016.

<sup>5</sup> Senior secured debt includes senior secured loans – first lien, senior secured loans – second lien and senior secured bonds.

<sup>6</sup> Based on FB Advisor's investment rating system. Based on fair value, approximately 18% of investments were exceeding expectations, 68% of investments were performing according to plan, 13% of investments required closer monitoring, 1% of investments were underperforming with some loss of interest or dividend possible and 0% of investments were underperforming with expected loss of interest and some principal. For more information on FB Advisor's investment rating system, please refer to FSIC's SEC filings.



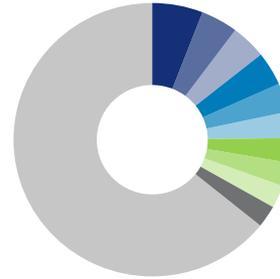
# Diversified across industries & issuers

## DIVERSIFIED BY INDUSTRY



Industry	% of portfolio <sup>1</sup>
Capital Goods	22%
Consumer Services	11%
Software & Services	11%
Energy	9%
Commercial & Professional Services	8%
Materials	7%
Consumer Durables & Apparel	6%
Health Care Equipment & Services	5%
Diversified Financials	4%
Telecommunication Services	4%
Other	13%
<b>Total</b>	<b>100%</b>

## DIVERSIFIED BY ISSUER



Issuer	% of portfolio <sup>1</sup>
Safariland, LLC	5.9%
A.P. Plasman Inc.	4.3%
Ascent Resources – Utica, LLC	4.1%
Sorenson Communications, Inc.	4.0%
Corel Corp.	3.4%
ThermaSys Corp.	3.1%
Allen Systems Group, Inc.	2.9%
PSAV Acquisition Corp.	2.8%
Flanders Corp.	2.7%
Global Jet Capital Inc.	2.6%
<b>Top 10 Investments</b>	<b>35.8%</b>
All 104 Other Investments	64.2%
<b>Total</b>	<b>100.0%</b>

<sup>1</sup> Based on fair value as of December 31, 2015.



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# **STRONG LIABILITY MANAGEMENT**



## Well-positioned for rising interest rate environment<sup>1</sup>

### WHILE OUR COST OF DEBT IS MOSTLY FIXED...

- 98% of our debt outstanding has a fixed interest rate
  - Includes three bond issuances that mature between 2019 and 2022
  - Weighted average effective interest rate on borrowings is 3.96%<sup>2</sup>

### ...THE MAJORITY OF OUR INVESTMENT PORTFOLIO PAYS VARIABLE RATES

- 67% of our investments are variable rate
  - Mostly LIBOR-based pricing
  - Vast majority have LIBOR floors, most of which range from 1.0% to 1.5%

**At December 31, 2015, a 300 bps rise in interest rates  
would increase net interest income by 19.9%<sup>3</sup>**

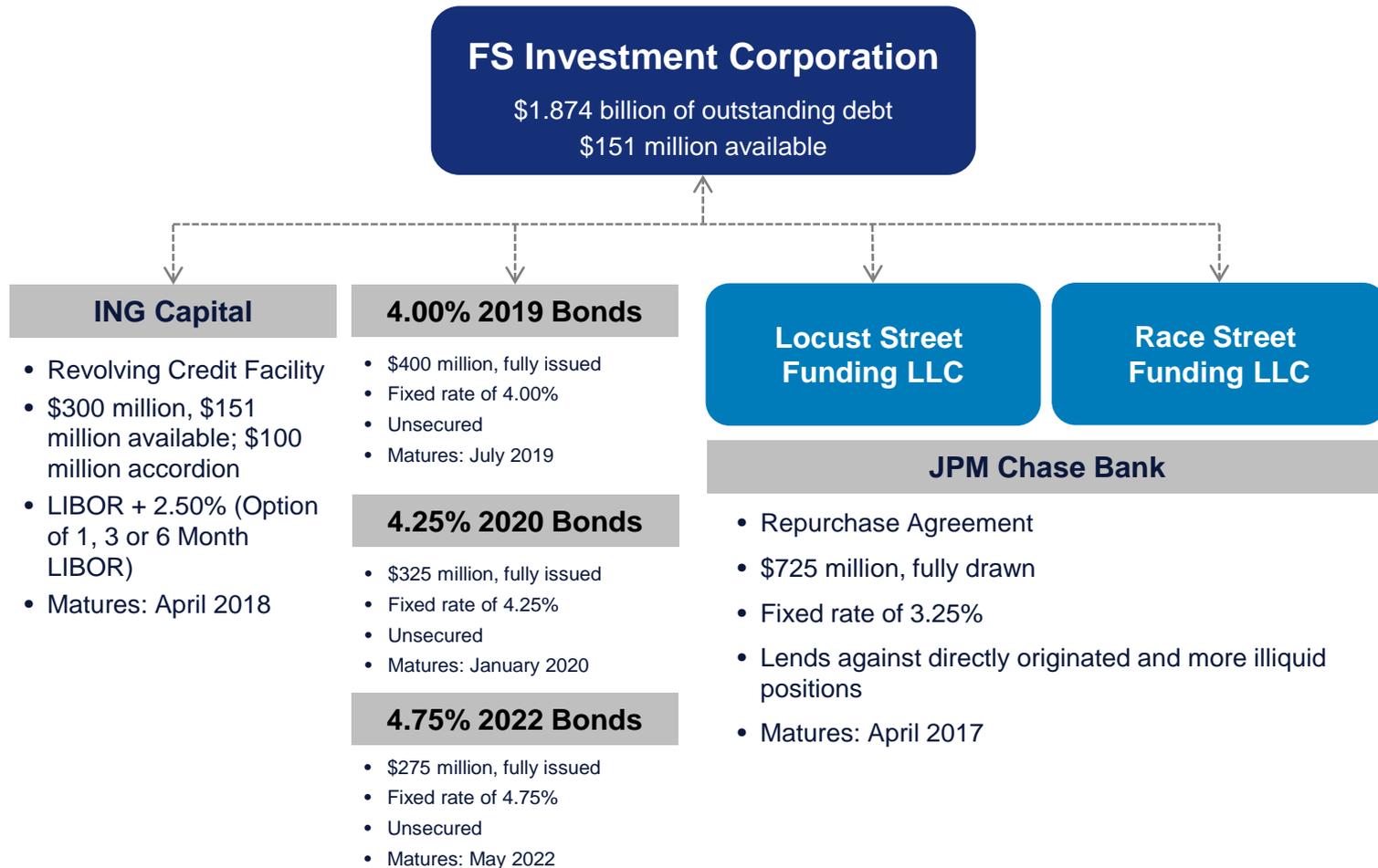
<sup>1</sup> As of December 31, 2015.

<sup>2</sup> Includes effect of non-usage fees.

<sup>3</sup> Assumes no payment defaults or prepayments by portfolio companies.



# Financing arrangements<sup>1</sup>



<sup>1</sup> As of March 10, 2016. Three-month LIBOR was 0.63% as of such date.



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# MANAGER / SHAREHOLDER ALIGNMENT



## Manager / shareholder alignment

### **ONLY BDC WITH A MARKET CAP GREATER THAN \$900 MILLION WITH A HIGH WATER MARK ON SUBORDINATED INCENTIVE FEE ON INCOME**

- 3-year high water mark for subordinated incentive fee on income
- Annualized 7.5% hurdle rate on subordinated incentive fee on income
- High water mark for capital gains incentive fee looks back to inception
- Management fee of 1.75%
- Growth in investment capacity from capital raising in non-traded BDCs mitigates need for serial equity issuances
- Franklin Square Holdings, members of Franklin Square's senior management and directors and officers of FSIC have separately purchased approximately \$11.3 million of FSIC shares since the beginning of 2015 and 10b5-1 trading plans remain in place pursuant to which more may be purchased<sup>1</sup>
- FSIC's management team has never sold its shares

<sup>1</sup> As of February 29, 2016.



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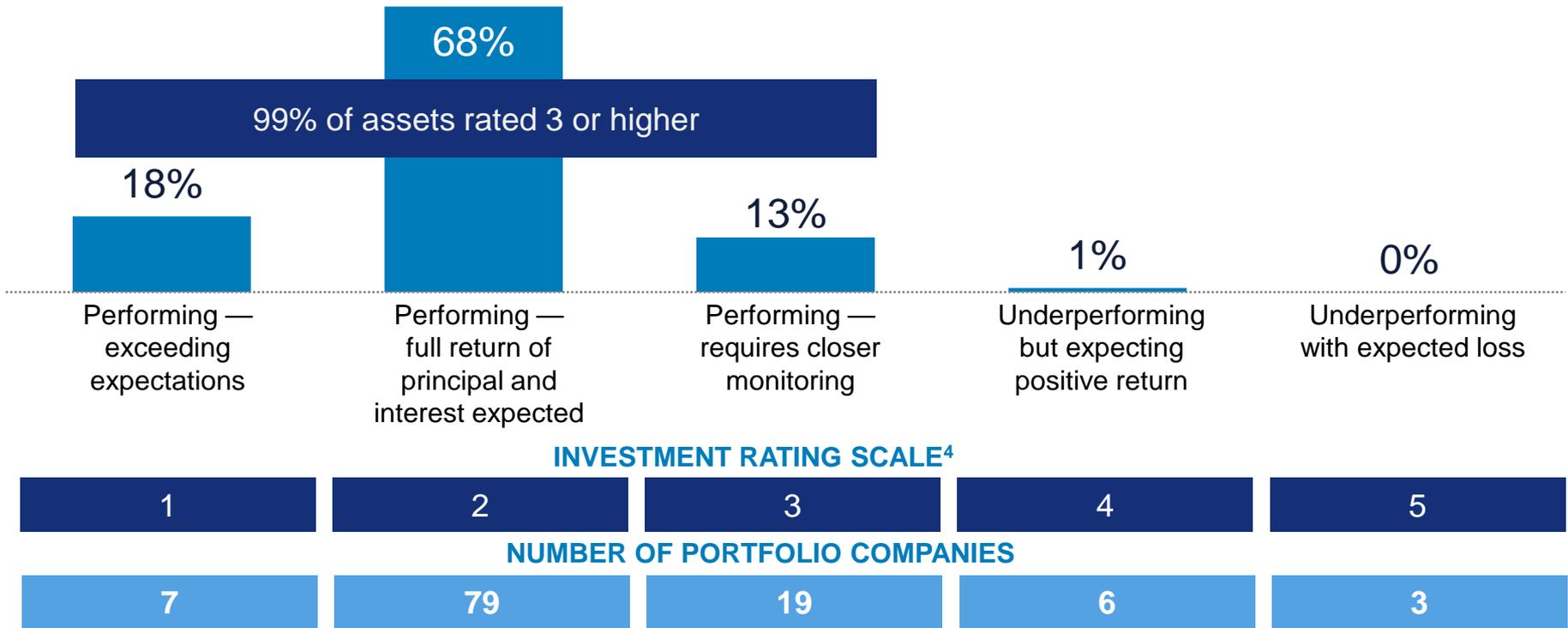
# TRACK RECORD OF PERFORMANCE



# Execution on disciplined strategy has delivered strong credit performance

## 99% OF FSIC'S INVESTMENTS ARE PERFORMING TO EXPECTATIONS<sup>1</sup>

- Since inception, average annual default rate of 1.15%<sup>2</sup> and estimated weighted average recovery rate of 108%<sup>3</sup>



<sup>1</sup> Based on fair value as of December 31, 2015. Based on FB Advisor's investment rating system. For more information on FB Advisor's investment rating system, please refer to FSIC's SEC filings.

<sup>2</sup> Based on the average of FSIC's default rate for each year of operations, 2009 to 2015.

<sup>3</sup> Recovery rate is estimated based on either the value received at the company's emergence from bankruptcy, the value received from the sale of the securities held post-default or the value of exchanged securities as of the date of calculation, compared to the original cost of the defaulted securities.

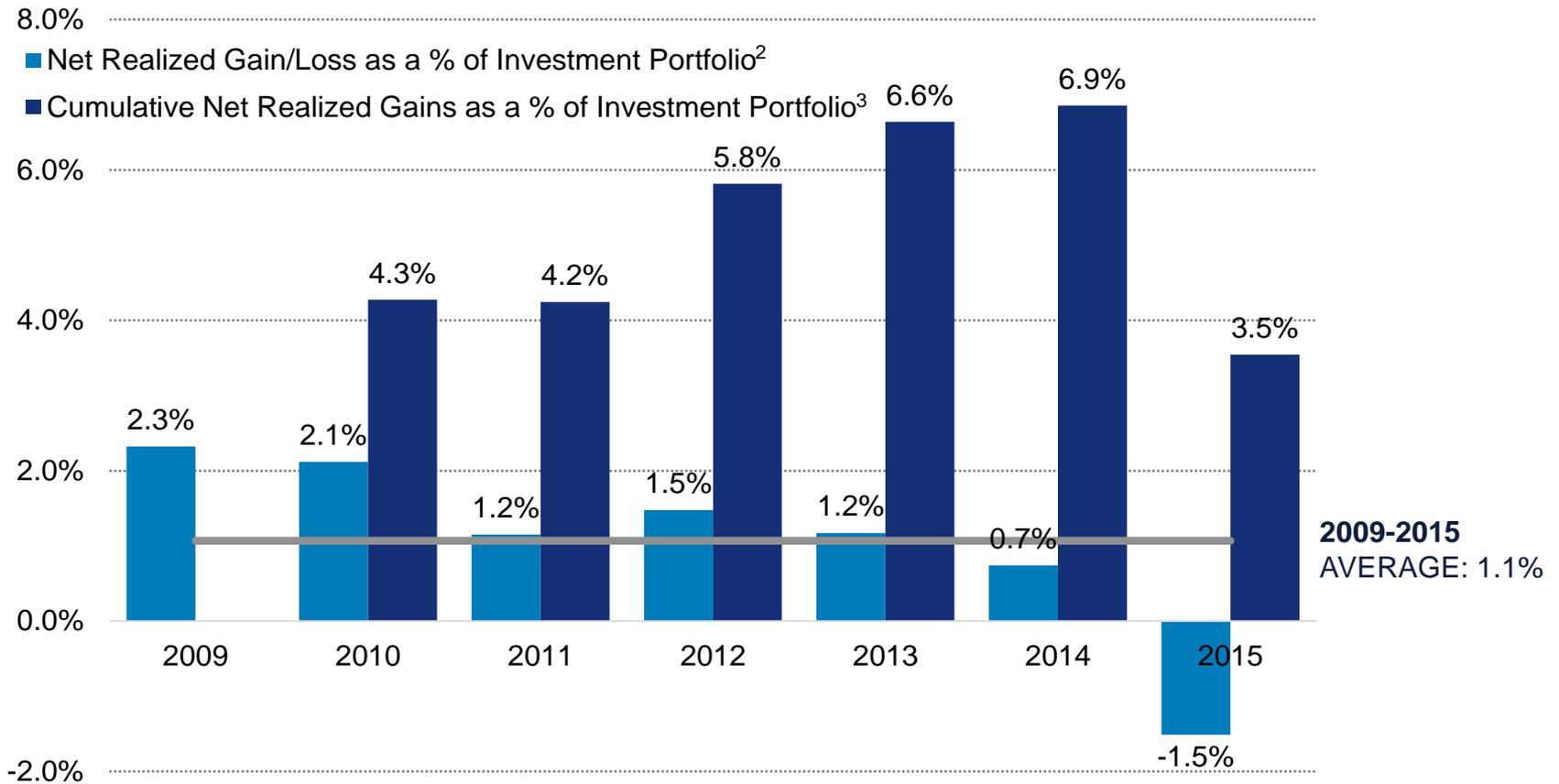
<sup>4</sup> In addition to various risk management and monitoring tools, FB Advisor uses an investment rating scale of 1 to 5 to characterize and monitor the expected level of returns on each investment in FSIC's portfolio. For additional information on FB Advisor's investment rating system please refer to FSIC's SEC filings.



## Strong performance history

### EXPERIENCED A NET REALIZED GAIN IN 6 OF 7 YEARS SINCE INCEPTION

- No investments on non-accrual as of December 31, 2015<sup>1</sup>



<sup>1</sup> SandRidge Energy, Inc. senior secured bonds, which, as of December 31, 2015, represented 0.1% of our investment portfolio based on fair value, were on non-accrual as of March 1, 2016.

<sup>2</sup> Calculated as total net realized gain/loss during the applicable year, excluding gains and losses associated with a total return swap and foreign exchange transactions, divided by the average value of FSIC's investment portfolio based on amortized cost during the applicable year.

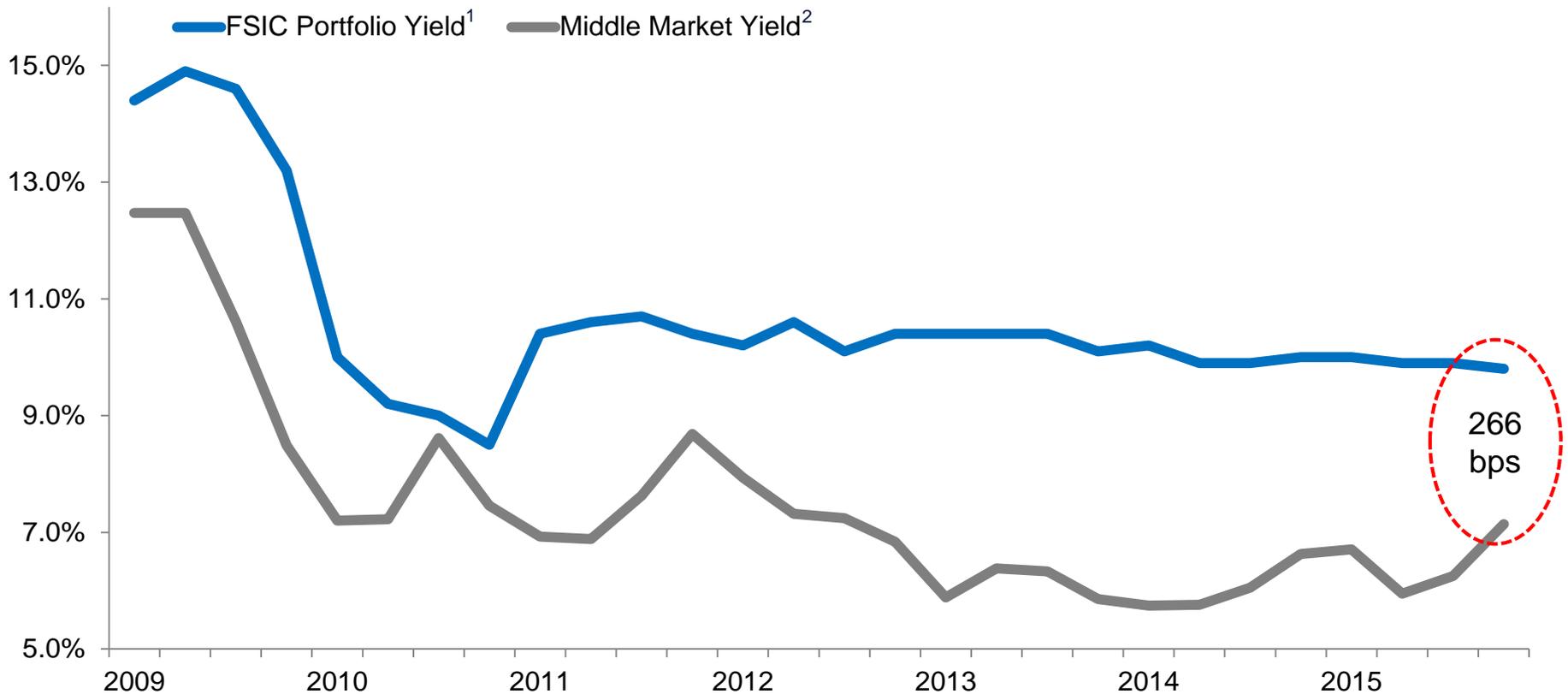
<sup>3</sup> From inception through December 31, 2015. Calculated as an average of the historical annual net gain/loss rates (where the annual net gain/loss rate is calculated as the amount of net realized gains/losses in a particular year, excluding gains and losses associated with a total return swap and foreign exchange transactions, divided by the average quarterly amortized cost of the portfolio in the same year). **27**



## Stable portfolio yield

### FSIC HAS OBTAINED PREMIUM PRICING TO OTHER MIDDLE MARKET LENDERS

- 319 bps average yield advantage for FSIC vs. broader middle market since FSIC's inception
- Relationships, scale, reputation, speed of execution and GPO program create pricing power



1 Gross yield prior to leverage based on amortized cost.

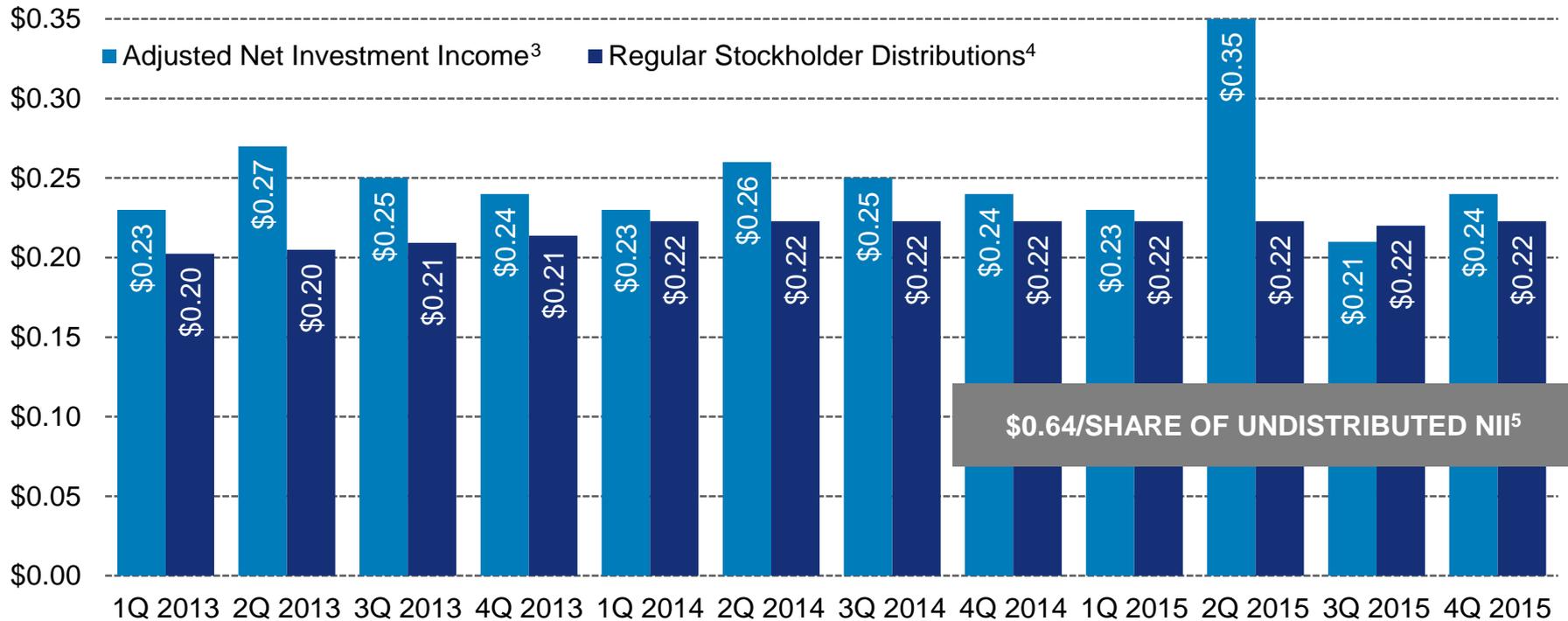
2 Thomson Reuters LPC quarterly middle market loan yields to a 3-year maturity.



## Consistent distribution coverage

### STRONG DISTRIBUTION COVERAGE ALLEVIATES NEED TO REACH FOR YIELD

- Adjusted NII exceeded distributions by approximately 14 cents<sup>1</sup> per share in 2015
- Cash dividend yield in 2015 was 9.1%<sup>2</sup>
- 11 special cash distributions paid since inception



<sup>1</sup> This figure has been rounded.

<sup>2</sup> Calculated based on beginning of year NAV.

<sup>3</sup> Adjusted net investment income is a non-GAAP financial measure. Adjusted net investment income is presented for all periods as GAAP net investment income excluding (i) the accrual for the capital gains incentive fee for realized and unrealized gains; (ii) excise taxes; and (iii) certain non-recurring operating expenses that are one-time in nature and are not representative of ongoing operating expenses incurred during FSIC's normal course of business. FSIC uses this non-GAAP financial measure internally in analyzing financial results and believes that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing its financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. See "Reconciliation of Non-GAAP Financial Measures" for a reconciliation of adjusted net investment income to GAAP net investment income.

<sup>4</sup> Distributions are not guaranteed and are subject to applicable legal restrictions and the sole discretion of FSIC's board of directors.

<sup>5</sup> Undistributed net investment income on a tax basis based on shares outstanding as of December 31, 2015.



## Opportunities for future growth

### STRONG DISTRIBUTION COVERAGE

- Currently distribute \$0.22275 per share per quarter versus average adjusted NII<sup>1</sup> per share per quarter during 2015 of \$0.26<sup>2</sup>
- Distributions consistently covered 100% from adjusted net investment income
- 2015 adjusted NII<sup>1</sup> exceeded distributions by approximately \$0.14 per share
- FSIC has accumulated \$0.64 per share of undistributed NII on a tax basis<sup>3</sup>

### SCALE & CAPACITY FROM EXEMPTIVE RELIEF

- Franklin Square is the largest manager of BDCs
- Exemptive relief for the Franklin Square BDCs enables Franklin Square to spread investments across its BDC platform
- Provides investment capacity to fund larger deals and grow with our portfolio companies
- Enhances credit quality of investment portfolio

### INCREASE IN INTEREST RATES

- FSIC should experience net investment income growth in a rising rate scenario
- 98% of FSIC debt is fixed-rate while 67% of investments are in variable rate debt<sup>3</sup>
- A 300 bps rise in interest rates would increase net interest income by 19.9%<sup>3,4</sup>

### SPECIALTY FINANCE PLATFORM

- FSIC continues to grow its investments in specialty finance operating companies
- Global Jet Capital, a leading global corporate aircraft leasing business, acquired GE Capital's \$2.3 billion Fixed-Wing Corporate Aircraft Financing Portfolio in the Americas
  - FSIC's investment in Global Jet exceeds \$100 million<sup>3</sup>
- Unitranche co-investments with NewStar Financial enhance FSIC's returns with minimal incremental risk
  - FSIC provided \$345 million of funding to such unitranches<sup>3</sup>

<sup>1</sup> See previous slide for a detailed discussion of adjusted net investment income.

<sup>2</sup> This figure represents the simple average of the adjusted net investment income per share of the four quarters of 2015.

<sup>3</sup> As of December 31, 2015.

<sup>4</sup> Assumes no payment defaults or prepayments by portfolio companies.



## FSIC's value proposition

**9.9%**

annualized  
distribution rate<sup>1</sup>

**129%**

cumulative total  
portfolio return<sup>2</sup>

**12.6%**

average annual  
portfolio return<sup>2</sup>

**PROVEN  
PERFORMANCE**

- Fully invested portfolio focused on floating rate senior secured debt
- Mature leverage profile with low cost funding
- Strong credit history

**PROVEN  
PORTFOLIO**

- Scale provides competitive advantages
- Unique access to proprietary investments
- Investment expertise of one of the largest alternative credit platforms

**PROVEN  
PLATFORM**

- Focus on direct lending and opportunistic investments
- Target less competitive part of the middle market
- Non-traded platform mitigates need for serial equity issuance

**PROVEN  
STRATEGY**



**FRANKLIN SQUARE**  
CAPITAL PARTNERS



**G S O**

**CAPITAL PARTNERS**  
*A Blackstone Company*

**PROVEN  
MANAGEMENT**

<sup>1</sup> This distribution rate is calculated by annualizing FSIC's regular quarterly cash distribution amount as of December 31, 2015 of \$0.22275 and dividing such amount by FSIC's closing price of \$8.99 on the New York Stock Exchange on December 31, 2015. Distributions are not guaranteed and are subject to applicable legal restrictions and the sole discretion of the board of directors of FSIC.

<sup>2</sup> Cumulative total and average annual portfolio returns since inception through the quarter ended December 31, 2015. These returns are calculated using NAV performance and cash distributions declared during the relevant period and represent the return on the fund's investment portfolio rather than an actual return to stockholders. Past performance is not indicative of future results.



**FS INVESTMENT**  
**CORPORATION**  
A Business Development Company

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

## Reconciliation of Non-GAAP financial measures<sup>1</sup>

	Three Months Ended					
	12/31/2015	9/30/2015	6/30/2015	3/31/2015	12/31/2014	9/30/2014
GAAP net investment income per share	\$0.23	\$0.26	\$0.39	\$0.21	\$0.28	\$0.25
Plus capital gains incentive fees per share	(0.01)	(0.06)	(0.03)	0.02	(0.07)	--
Plus excise taxes per share	0.02	--	--	--	0.02	--
Plus one-time expenses per share	--	--	--	--	0.01	0.01
<b>Adjusted net investment income per share<sup>2</sup></b>	<b>\$0.24</b>	<b>\$0.21</b>	<b>\$0.35</b>	<b>\$0.23</b>	<b>\$0.24</b>	<b>\$0.25</b>

	Three Months Ended					
	6/30/2014	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
GAAP net investment income per share	\$0.23	\$0.22	\$0.20	\$0.26	\$0.29	\$0.20
Plus capital gains incentive fees per share	0.01	0.02	0.02	(0.01)	(0.02)	0.03
Plus excise taxes per share	--	--	0.02	--	--	--
Plus one-time expenses per share	0.02	--	--	--	--	--
<b>Adjusted net investment income per share<sup>2</sup></b>	<b>\$0.26</b>	<b>\$0.23</b>	<b>\$0.24</b>	<b>\$0.25</b>	<b>\$0.27</b>	<b>\$0.23</b>

<sup>1</sup> The per share data was derived by using the weighted average shares of our common stock outstanding during the applicable period. Per share numbers may not sum due to rounding.

<sup>2</sup> Adjusted net investment income is a non-GAAP financial measure. We present adjusted net investment income for all periods as GAAP net investment income excluding (i) the accrual for the capital gains incentive fee for realized and unrealized gains; (ii) excise taxes; and (iii) certain non-recurring operating expenses that are one-time in nature and are not representative of ongoing operating expenses incurred during FSIC's normal course of business (referred to herein as one-time expenses). We use this non-GAAP financial measure internally in analyzing financial results and believe that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing our financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP.